

CITY OF SELMA, ALABAMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

CITY OF SELMA, ALABAMA
SEPTEMBER 30, 2016

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Selma, Alabama (the City) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and page 49 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Warren Averett, LLC

Montgomery, Alabama
April 17, 2017

CITY OF SELMA, ALABAMA

222 Broad Street
Selma, AL 36701

FINANCIAL MANAGEMENT DISCUSSION AND ANALYSIS ANNUAL FINANCIAL STATEMENT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016

The Management's Discussion and Analysis (MD&A) offers readers of the City of Selma's (the City) financial statements a narrative overview and analysis of the City's financial activities for the fiscal year ended September 30, 2016. It is our intent that these comments provide all parties interested in the City's financial condition a better understanding of the City's operations and financial position.

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

FINANCIAL HIGHLIGHTS

- As of September 30, 2016, the City's net position (assets minus liabilities) totaled \$29,887,935, a decrease of \$732,864 from the September 30, 2015 figure.
- Total net position for governmental activities are comprised of the following:
 - (1) Net investment in capital assets of \$29,793,647, includes property and equipment, net of accumulated depreciation, and is reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net position of \$4,007,555 is restricted by constraints imposed from outside the City such as debt covenants, laws and regulations.
 - (3) Unrestricted net position had a deficit balance of \$3,913,267.
- Total net position for governmental activities decreased by \$220,606, thus bringing the total to \$29,887,935 for fiscal year 2016.
- Total net position for business-type activities decreased by \$512,258, thus bringing the total to \$0 for fiscal year 2016.
- Fund balances (a measure of current financial resources) in governmental funds decreased by \$1,364,957 to a total of \$10,023,296. Of this amount \$556,809 is nonspendable and is not appropriable for expenditures or is legally segregated for a specific future use. The largest portion of the governmental fund balance is in the amount of \$7,929,473 which is restricted for capital projects, debt service and community development. There is also a committed amount of \$162,682 for economic development and an assigned amount of \$138,195 for miscellaneous projects. The combined totals for nonspendable, restricted and assigned, plus the unassigned amount of \$1,235,927 yields a total combined ending fund balance of \$10,023,296 for fiscal year 2016.

- The general fund unassigned fund balance, as of September 30, 2016, was \$1,536,902 or 8.4% of total general fund expenditures.
- The City's total bond and capital lease debt decreased by \$800,883 (2.7%) during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide our readers with an overview of the City's finances, presenting all funds in a more simplified format. This section is similar to financial reporting used by commercial entities. Government-wide statements are separated into two major categories: 1) governmental activities that are principally supported by taxes and intergovernmental revenues, and 2) business-type activities that are supported by user fees and charges. Governmental activities include administrative functions, streets, garbage, public safety, public works, recreation, community development, and the cemetery funds. The sole business-type activity of the City is the Inert Landfill. In 2016, the City transferred the operations of the Inert Landfill to the General Fund.

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

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

Fund Financial Statements

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

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

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

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

Proprietary Funds – The City maintained only one proprietary fund type, an Enterprise Fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Enterprise Fund for the City was the Inert Landfill, which was combined with the operations of the General Fund at October 1, 2015. Due to this, the Inert Landfill will not be classified as a proprietary fund in financial statements subsequent to September 30, 2016.

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Selma's progress in funding its obligation to provide pension and postemployment benefits to its employees. Required supplementary information can be found beginning on page 49 of this report.

Combining and individual fund statements and schedules can be found beginning on page 53 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

The City's net position totaled \$29,887,935 as of September 30, 2016. The following table reflects the condensed government-wide statement of net position:

Statement of Net Assets As of September 30 (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets (net of internal balances)	\$ 11,435	\$ 13,753	\$ -	\$ 21	\$ 11,435	\$ 13,774
Internal balances	-	289	-	(289)	-	-
Capital assets	40,429	39,371	-	955	40,429	40,326
Total Assets	51,864	53,413	-	687	51,864	54,100
Deferred outflow of pension obligation bonds	8,170	8,525	-	-	8,170	8,525
Deferred employer retirement contributions	1,505	328	-	-	1,505	328
Total Deferred Outflows of Resources	9,675	8,853	-	-	9,675	8,853
Current and other liabilities	3,561	3,115	-	20	3,561	3,135
Long-term liabilities	27,882	27,955	-	155	27,882	28,110
Total Liabilities	31,443	31,070	-	175	31,443	31,245
Deferred inflows related to pension	208	1,088	-	-	208	1,088
Net Position:						
Net investment in capital assets	29,793	28,517	-	955	29,793	29,472
Restricted	4,008	4,179	-	-	4,008	4,179
Unrestricted	(3,913)	(2,588)	-	(443)	(3,913)	(3,031)
Total Net Position	\$ 29,888	\$ 30,108	\$ -	\$ 512	\$ 29,888	\$ 30,620

The City's total assets were \$51,863,923 as of September 30, 2016. Of this amount, \$40,429,319 is accounted for by capital assets, which includes infrastructure.

Of the remaining City assets, \$2,386,343 is accounted for in cash and cash equivalents, \$1,532,976 in receivables, \$505,000 in a note receivable, \$3,013,721 in restricted cash and cash equivalents, \$3,944,755 in restricted cash held by fiscal agent, and the remainder spread among miscellaneous assets.

At September 30, 2016, the City had outstanding liabilities of \$31,442,780, of which \$29,784,225 was long-term debt. Long-term debt includes bonds and warrants payable and capital lease obligations. Of the total amount outstanding approximately \$1,902,498 was due within one year, with the remainder due at various dates before 2039.

Included in other liabilities in the above table are \$761,913 in accounts payable and other current liabilities and \$247,247 in accrued interest payable.

The largest portion of the City's net position reflects its investment in capital assets, less any outstanding related debt used to acquire those assets. The City's capital assets are used to provide services to citizens. Consequently, investments in capital assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. In the current fiscal year, this represents \$4,007,555 or 13.4% of total net position. The net result is a deficit in unrestricted net position totaling \$3,913,267.

As of September 30, 2016, the City reported positive net position in both governmental and business-type activities. The City's net position decreased \$220,606 or 0.72% during the fiscal year. This decrease was primarily due to the following reasons:

- 1) The City recognized a net increase in other postemployment benefit (OPEB) liability of \$365,932 for the year ended September 30, 2016.
- 2) Depreciation expense of \$2,180,590 on governmental activities and there was no depreciation expense on business-type activities.

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

Changes in Net Position For the year ended September 30 (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues						
Charges for services	\$ 3,812	\$ 3,770	\$ -	\$ 70	\$ 3,812	\$ 3,840
Operating grants and contributions	645	654	-	-	645	654
Capital grants and contributions	729	251	-	-	729	251
General revenues						
Property taxes	2,475	2,450	-	-	2,475	2,450
Sales and use taxes	11,107	11,084	-	-	11,107	11,084
Lodging taxes	368	373	-	-	368	373
Other taxes	1,166	1,147	-	-	1,166	1,147
Investment earnings	6	6	-	-	6	6
Other	887	999	-	-	887	999
Total revenues	21,195	20,734	-	70	21,195	20,804
Expenses						
General government	7,994	7,695	-	-	7,994	7,695
Public safety	7,978	8,028	-	-	7,978	8,028
Public service	2,646	2,221	-	-	2,646	2,221
Other	2,023	2,092	-	-	2,023	2,092
Interest on long-term debt	1,286	1,215	-	-	1,286	1,215
Inert landfill	-	-	-	232	-	232
Total expenses	21,927	21,251	-	232	21,927	21,483
Decrease in net position before transfers	(732)	(517)	-	(162)	(732)	(679)
Transfers in (out)	512	(110)	(512)	110	-	-
Decrease in net position	(220)	(627)	(512)	(52)	(732)	(679)
Net position - beginning, as originally stated	30,108	30,446	512	564	30,620	31,010
Cumulative effect of change in accounting principle	-	289	-	-	-	289
Net position - beginning, as restated	30,108	30,735	512	564	30,620	31,299
Net position - ending	\$ 29,888	\$ 30,108	\$ -	\$ 512	\$ 29,888	\$ 30,620

Total revenues for the City were \$21,194,246 for the year ended September 30, 2016. Governmental activities provided \$21,194,249 or 100%. The governmental activities received \$11,106,225, or 52.4% of total revenue, from sales taxes and \$3,014,303, or 14.2% of total revenue, from business licenses and permits.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

Governmental funds reported total fund balances of \$10,023,296 a decrease of \$1,364,957 from the September 30, 2015 figure.

General Fund – At September 30, 2016, total fund balance was \$2,070,880 a decrease of \$618,129 from the previous year. Total revenue for the General Fund increased by \$614,273 or 3.5% in 2016 compared to the previous year. This was due to an increase in sales tax. Total expenditures for the General Fund decreased by \$1,066,091 or 5.7% in 2016 compared to the previous year. This was due to an increase in public safety salary expenditures.

Bond Fund – At September 30, 2016, total fund balance was \$3,005,031, an increase of \$64,110 from the previous year.

2014 GO Warrant Fund – At September 30, 2016, total fund balance was \$3,552,327. This fund accounts for resources accumulated and payments made for principal and interest on the Series 2015-CWSRF-DL General Obligation Warrant.

Proprietary Fund

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

Inert Landfill – On October 1, 2016, the City transferred the operations of the Inert Landfill to the General Fund. This resulted in a reduction in net position of \$512,258. This reduction was comprised of a transfer from the General Fund in the amount of \$271,374 and a net transfer to governmental activities in the amount of \$783,632. The net transfer to governmental activities was comprised of a transfer of capital assets totaling \$955,437 and a transfer of debt totaling \$171,805.

General Fund Budgetary Highlights

Total general fund revenues were \$18,287,567, which was an increase of \$614,273 over final budgeted revenues. The primary cause of this is as follows:

- The receipts for sales and use taxes were \$198,671 over the anticipated revenue.

Capital Asset and Debt Administration

The City's investment in capital assets for governmental and business-type activities as of September 30, 2016, was \$40,429,319 (net of accumulated depreciation). Capital asset investments include land, construction in progress, buildings, building improvements, infrastructure, and machinery and equipment, net of depreciation. New additions to capital assets included the following:

- Four pickup trucks (Public Works and General Government)
- Two police canines
- Tractor for Cemetery Department
- Interface Console for Police Department
- Two real estate plots
- Sanitary sewer improvements and replacements
- Pothole repair truck for Public Works
- Loader backhoe for Public Works

At the end of the fiscal year the City had secured and bonded debt outstanding of \$24,735,000. This entire amount comprises debt backed by the full faith and credit of the City. The City's total bond and capital lease debt decreased by \$1,175,000 (4.5%) during the current fiscal year.

THE OUTLOOK FOR NEXT YEAR

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

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

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

- Review and discussion of plans to revitalize the Good Samaritan Hospital on Broad Street to create a city health clinic.
- Infrastructure overhaul within the 20 mile radius of the City to repair or replace sewer lines as a result of the \$4 million bond warrant issuance.
- Negotiations for the sale of the St. James Hotel in progress.

- HUD application for neighborhood stabilization/renovation of existing houses.
- Selma Interpretative Center renovation project received \$1.3 Million from Alabama Department of Transportation, \$150,000 from Delta Regional Authority; and \$394,000 from National Parks Service.
- Riverwalk construction in progress pending approval of the Riverwalk TAP Grant, a \$600,000 grant from Alabama Department of Transportation.
- Plans are underway to complete the landscaping and renovation and to create conference rooms and reception hall for the Amphitheater.
- ATRIP Phase 3 – Summerfield Avenue and Lapsley Street for street resurfacing and sidewalk repair in progress.
- Plans to establish the Small Business Incubator at the Welcome Center for small business entrepreneurs.
- Fiber Optic Cable – installed within the 20 mile radius of our City – 72 strands of fiber optics.
- Partnership with EPA to address financing for clean water care.

REQUEST FOR INFORMATION

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

FINANCIAL STATEMENTS

CITY OF SELMA, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,386,343	\$ -	\$ 2,386,343
Receivables, net	1,532,976	-	1,532,976
Prepaid expenses	51,809	-	51,809
Note receivable	505,000	-	505,000
Restricted assets:			
Cash and cash equivalents	3,013,721	-	3,013,721
Cash held by fiscal agent	3,944,755	-	3,944,755
Capital assets not being depreciated:			
Land	3,339,218	-	3,339,218
Construction in progress	1,722,380	-	1,722,380
Capital assets net of accumulated depreciation:			
Buildings	5,299,834	-	5,299,834
Improvements	11,739,073	-	11,739,073
Infrastructure	13,655,093	-	13,655,093
Machinery and equipment	4,673,721	-	4,673,721
TOTAL ASSETS	51,863,923	-	51,863,923
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow of pension obligation bonds	8,169,814	-	8,169,814
Deferred employer retirement contributions	1,505,296	-	1,505,296
DEFERRED OUTFLOWS OF RESOURCES	9,675,110	-	9,675,110
LIABILITIES AND NET POSITION			
LIABILITIES			
Accounts payable and accrued expenses	761,913	-	761,913
Accrued interest payable	247,247	-	247,247
Deferred revenue	290,161	-	290,161
Other liabilities	359,234	-	359,234
Noncurrent liabilities:			
Due within one year	1,902,498	-	1,902,498
Due in more than one year	27,881,727	-	27,881,727
TOTAL LIABILITIES	31,442,780	-	31,442,780
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	208,318	-	208,318
NET POSITION			
Net investment in capital assets	29,793,647	-	29,793,647
Restricted for:			
Capital projects	496,222	-	496,222
Community development	131,536	-	131,536
Debt service	3,007,409	-	3,007,409
Municipal Court	68,668	-	68,668
Public safety	78,660	-	78,660
Public works	225,060	-	225,060
Unrestricted	(3,913,267)	-	(3,913,267)
TOTAL NET POSITION	\$ 29,887,935	\$ -	\$ 29,887,935

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities:							
General government	\$ 7,994,010	\$ 3,624,463	\$ 619,561	\$ -	\$ (3,749,986)	\$ -	\$ (3,749,986)
Public safety	7,977,505	77,529	25,800	-	(7,874,176)	-	(7,874,176)
Public service	2,646,270	18,626	-	728,780	(1,898,864)	-	(1,898,864)
Other	2,022,969	91,753	-	-	(1,931,216)	-	(1,931,216)
Interest and fiscal charges on long-term debt	1,286,359	-	-	-	(1,286,359)	-	(1,286,359)
Total governmental activities	<u>21,927,113</u>	<u>3,812,371</u>	<u>645,361</u>	<u>728,780</u>	<u>(16,740,601)</u>	<u>-</u>	<u>(16,740,601)</u>
Business-type activities:							
Inert landfill	-	-	-	-	-	-	-
Total primary government	<u>\$ 21,927,113</u>	<u>\$ 3,812,371</u>	<u>\$ 645,361</u>	<u>\$ 728,780</u>	<u>(16,740,601)</u>	<u>-</u>	<u>(16,740,601)</u>
General Revenues							
Property taxes					2,474,691	-	2,474,691
Sales taxes					11,106,806	-	11,106,806
Lodging taxes					368,055	-	368,055
Motor fuel taxes					828,841	-	828,841
Alcoholic beverage taxes					102,841	-	102,841
Tobacco taxes					233,958	-	233,958
Investment earnings					5,944	-	5,944
Miscellaneous revenue					886,601	-	886,601
Transfers					512,258	(512,258)	-
Total general revenues and transfers					<u>16,519,995</u>	<u>(512,258)</u>	<u>16,007,737</u>
Change in net position					(220,606)	(512,258)	(732,864)
Net position - beginning					<u>30,108,541</u>	<u>512,258</u>	<u>30,620,799</u>
Net position - ending					<u>\$ 29,887,935</u>	<u>\$ -</u>	<u>\$ 29,887,935</u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2016

	General Fund	Bond Fund	2014 GO Warrant Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,067,642	\$ -	\$ 24	\$ 1,318,677	\$ 2,386,343
Receivables	1,489,994	593	-	42,389	1,532,976
Prepaid expenses	28,978	-	22,831	-	51,809
Due from other funds	484,495	71,292	-	198,276	754,063
Note receivable	505,000	-	-	-	505,000
Restricted assets:					
Cash and cash equivalents	-	2,933,143	-	80,578	3,013,721
Cash held by fiscal agent	-	3	3,529,637	415,115	3,944,755
TOTAL ASSETS	\$ 3,576,109	\$ 3,005,031	\$ 3,552,492	\$ 2,055,035	\$ 12,188,667
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenses	\$ 611,486	\$ -	\$ -	\$ 150,427	\$ 761,913
Due to other funds	244,348	-	165	509,550	754,063
Deferred revenue	290,161	-	-	-	290,161
Other liabilities	359,234	-	-	-	359,234
TOTAL LIABILITIES	1,505,229	-	165	659,977	2,165,371
FUND BALANCES					
Nonspendable	533,978	-	22,831	-	556,809
Restricted	-	3,005,031	3,529,496	1,394,946	7,929,473
Committed	-	-	-	162,892	162,892
Assigned	-	-	-	138,195	138,195
Unassigned	1,536,902	-	-	(300,975)	1,235,927
TOTAL FUND BALANCES	2,070,880	3,005,031	3,552,327	1,395,058	10,023,296
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,576,109	\$ 3,005,031	\$ 3,552,492	\$ 2,055,035	\$ 12,188,667

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION SEPTEMBER 30, 2016

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

Total fund balances - governmental funds		\$ 10,023,296
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		40,429,319
The proceeds of the pension obligation warrants were used to pre-pay the City's unfunded Employee's Retirement System of Alabama (ERS) accrued actuarial liability and is reported as a net pension asset in the Statement of Net Position.		8,169,814
Deferred employer retirement contributions		1,505,296
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, 2016 were:		
Bonds, leases, and notes payable	\$ (26,245,513)	
Unamortized net premiums	(27,155)	
Unamortized net discounts	113,727	
Accrued interest	(247,247)	
Deferred inflows related to pension	(208,318)	
Compensated absences	(213,140)	
Postemployment benefits other than pensions	(2,569,893)	
Net pension liability	(842,251)	
Total long-term liabilities		<u>(30,239,790)</u>
Net position of governmental activities		<u>\$ 29,887,935</u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General Fund	Bond Fund	2014 GO Warrant Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 13,526,865	\$ 1,034,447	\$ -	\$ 553,880	\$ 15,115,192
Licenses and permits	3,000,707	-	-	19,240	3,019,947
Intergovernmental	1,215,536	106,570	-	489,099	1,811,205
Charges for services	83,816	-	-	-	83,816
Fines and forfeitures	-	-	-	300,007	300,007
Other revenues	460,181	-	-	397,998	858,179
Interest on investments	462	5,293	-	145	5,900
Total revenues	<u>18,287,567</u>	<u>1,146,310</u>	<u>-</u>	<u>1,760,369</u>	<u>21,194,246</u>
EXPENDITURES					
Current operations:					
General government	6,707,119	-	117	1,616,572	8,323,808
Public safety	6,874,923	-	-	290,734	7,165,657
Public service	1,800,296	-	429,918	304,832	2,535,046
Other	1,785,581	-	-	14,393	1,799,974
Debt service:					
Principal retirement	343,746	755,000	-	330,000	1,428,746
Interest charges	77,739	326,700	124,301	765,236	1,293,976
Total expenditures	<u>17,589,404</u>	<u>1,081,700</u>	<u>554,336</u>	<u>3,321,767</u>	<u>22,547,207</u>
Excess (deficiency) of revenues over (under) expenditures	<u>698,163</u>	<u>64,610</u>	<u>(554,336)</u>	<u>(1,561,398)</u>	<u>(1,352,961)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	94,875	-	-	1,399,171	1,494,046
Transfers out	(1,670,545)	-	-	(94,875)	(1,765,420)
Capital leases	259,378	-	-	-	259,378
Total other financing sources (uses)	<u>(1,316,292)</u>	<u>-</u>	<u>-</u>	<u>1,304,296</u>	<u>(11,996)</u>
Net change in fund balances	<u>(618,129)</u>	<u>64,610</u>	<u>(554,336)</u>	<u>(257,102)</u>	<u>(1,364,957)</u>
FUND BALANCES - BEGINNING	<u>2,689,009</u>	<u>2,940,421</u>	<u>4,106,663</u>	<u>1,652,160</u>	<u>11,388,253</u>
FUND BALANCES - ENDING	<u>\$ 2,070,880</u>	<u>\$ 3,005,031</u>	<u>\$ 3,552,327</u>	<u>\$ 1,395,058</u>	<u>\$ 10,023,296</u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2016

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

Net change in fund balances - total governmental funds		\$ (1,364,957)
Capital outlays, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Position.		2,283,456
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.		(2,180,590)
Capital leases provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets.		(259,378)
Repayment of long-term debt is reported as an expenditure in governmental funds, but a reduction of long-term liabilities in the Statement of Net Position.		
General obligation bonds and warrants	\$ 1,175,000	
Capital leases	253,746	
Total repayments		1,428,746
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	723	
Pension liability	(195,441)	
Additional expenses		(194,718)
Increases in long-term debt and related items that are not financial resources decrease net position in the Statement of Net Position.		
Accrued interest	7,620	
Post employment benefits other than pensions	(365,932)	
Total increases		(358,312)
Amortization of net pension asset		(355,209)
Transfer of capital assets from business-type activities increases net position in the Statement of Net Position but do not appear in the governmental funds because they are not financial resources.		955,437
Transfer of capital leases from business-type activities decreases net position in the Statement of Net Position but do not appear in the governmental funds because they are not financial resources.		(171,805)
Governmental funds report the effects of issuance costs, premiums, discounts, and similar items when debt is first issued whereas these amounts are deferred and amortized in the Statement of Activities.		
Amortization		(3,276)
Change in net position of governmental activities		<u><u>\$ (220,606)</u></u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2016

	Inert Landfill
ASSETS	<u>\$ -</u>
LIABILITIES	<u>-</u>
NET POSITION	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION****PROPRIETARY FUND****FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Inert Landfill
	<hr/>
NONOPERATING REVENUES (EXPENSES)	
Operating transfers in	\$ 271,374
Transfer of capital assets to governmental activities	(955,437)
Transfer of debt to governmental activities	<hr/> 171,805
Total nonoperating revenues (expenses)	<hr/> (512,258)
Change in net position	(512,258)
TOTAL NET POSITION - BEGINNING	<hr/> 512,258
TOTAL NET POSITION - ENDING	<hr/> <hr/> \$ -

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Inert Landfill</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Net cash payments to other funds	\$ (9,429)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,429)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	9,429
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ -
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Transfer of current assets and current liabilities to the General Fund	\$ 280,803
Transfer of capital assets to governmental activities	(955,437)
Transfer of capital lease to governmental activities	171,806

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA
STATEMENT OF NET POSITION
FIDUCIARY FUND
SEPTEMBER 30, 2016

	Agency Fund
ASSETS	
Receivables - taxes	<u>\$ 120,205</u>
LIABILITIES	
Accounts payable	<u>120,205</u>
NET POSITION	
Unrestricted	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

The City reports the following major governmental funds:

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

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

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

The City reports the following major enterprise fund:

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, considered to be sixty days for property taxes and ninety days for all other revenue. Expenditures generally are recorded when a liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital lease are reported as other financing sources.

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

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

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management Estimates and Assumptions

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

Assets, Liabilities, and Equity

Cash and Cash Equivalents

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

Receivables and Payables

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

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

City property taxes are levied by the County Commission at its first regular meeting in February of each year based on the property on record as of the preceding October 1. The taxes are due the following October 1 and delinquent after December 31. In accordance with the nonexchange transactions provision of 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.

Inventories and Prepaid Items

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

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Equity (Continued)

Capital Assets

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

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

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

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

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

Compensated Absences

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

Lease Obligations

Capital lease obligations are stated at the original fair market value of leased assets capitalized, less payments since the inception of the lease discounted at the implicit rate of interest 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 proprietary funds and governmental activities in the government-wide financial statements and the cost of assets so acquired are reflected in the accounts of those funds and statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Equity (Continued)

Fund Equity

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

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

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

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

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

Unassigned – This classification includes all other spendable amounts.

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

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

Deficit Fund Balance

Funds with deficit fund balance are as follows:

	<u>Deficit Amount</u>
Nonmajor Governmental Funds:	
Drug Enforcement Unit	\$ 1,815
Pending General Forfeitures	175
Americorp Digital Divide	166,457
St. James Hotel Project	110,646
Firefighter Grant	3,212
2009 Refunding Warrants	18,670

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

3. CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Deposits

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

As of September 30, 2016, none of the City's bank balance of \$10,148,145 was exposed to custodial credit risk. All of the City's bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) and the Security for Alabama Funds Enhancement (SAFE) Program. The SAFE Program is a multiple financial collateral pool administered by the State Treasurer according to State of Alabama statute.

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

4. RECEIVABLES

Receivables as of September 30, 2016, for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

<u>Due From:</u>	General	1999	Nonmajor	Total
	Fund	Bond fund	Governmental Funds	
Taxes	\$ 1,110,249	\$ -	\$ 18,278	\$ 1,128,527
Accounts	378,230	-	5,023	383,253
Intergovernmental	1,515	-	19,088	20,603
Interest	-	593	-	593
	<u>\$ 1,489,994</u>	<u>\$ 593</u>	<u>\$ 42,389</u>	<u>\$ 1,532,976</u>

5. NOTE RECEIVABLE

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

	Governmental Activities	
	Principal	Interest
Year ending September 30:		
2017	\$ 95,000	\$ 19,938
2018	95,000	15,853
2019	100,000	11,635
2020	105,000	7,150
2021	<u>110,000</u>	<u>2,420</u>
Total	<u>\$ 505,000</u>	<u>\$ 56,996</u>

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Transfer from Landfill	Ending Balance
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 3,210,305	\$ 24,000	\$ -	\$ 104,913	\$ 3,339,218
Construction in progress	175,054	1,861,556	(314,230)	-	1,722,380
Total capital assets, not being depreciated	3,385,359	1,885,556	(314,230)	104,913	5,061,598
Capital assets, being depreciated:					
Buildings	9,553,816	-	-	-	9,553,816
Improvements	15,886,668	-	-	426,115	16,312,783
Infrastructure	45,434,298	314,230	-	-	45,748,528
Machinery and equipment	14,082,503	397,900	-	1,829,622	16,310,025
Total capital assets, being depreciated	84,957,285	712,130	-	2,255,737	87,925,152
Less accumulated depreciation for:					
Buildings	4,114,155	139,827	-	-	4,253,982
Improvements other than buildings	4,118,384	372,107	-	83,219	4,573,710
Infrastructure	31,318,938	774,497	-	-	32,093,435
Machinery and equipment	9,420,151	894,159	-	1,321,994	11,636,304
Total accumulated depreciation	48,971,628	2,180,590	-	1,405,213	52,557,431
Total capital assets, being depreciated, net	35,985,657	(1,468,460)	-	850,524	35,367,721
Governmental activities capital assets, net	\$ 39,371,016	\$ 417,096	\$ (314,230)	\$ 955,437	\$ 40,429,319

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

6. CAPITAL ASSETS (Continued)

Primary Government (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfer to Primary Government</u>	<u>Ending Balance</u>
Business-type Activities					
Capital assets, not being depreciated:					
Land	\$ 104,913	\$ -	\$ -	\$ 104,913	\$ -
Construction in progress	-	-	-	-	-
Total capital assets, not being depreciated	<u>104,913</u>	<u>-</u>	<u>-</u>	<u>104,913</u>	<u>-</u>
Capital assets, being depreciated:					
Improvements other than buildings	426,115	-	-	426,115	-
Machinery and equipment	<u>1,829,622</u>	<u>-</u>	<u>-</u>	<u>1,829,622</u>	<u>-</u>
Total capital assets, being depreciated	<u>2,255,737</u>	<u>-</u>	<u>-</u>	<u>2,255,737</u>	<u>-</u>
Less accumulated depreciation for:					
Improvements other than buildings	83,218	-	-	83,218	-
Machinery and equipment	<u>1,321,996</u>	<u>-</u>	<u>-</u>	<u>1,321,996</u>	<u>-</u>
Total accumulated depreciation	<u>1,405,214</u>	<u>-</u>	<u>-</u>	<u>1,405,214</u>	<u>-</u>
Total capital assets, being depreciated, net	<u>850,523</u>	<u>-</u>	<u>-</u>	<u>850,523</u>	<u>-</u>
Business-type activities capital assets, net	<u>\$ 955,436</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 955,436</u>	<u>\$ -</u>

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

Governmental Activities:

General government	\$ 896,102
Public safety	537,405
Public service	731,550
Other	<u>15,533</u>
Total depreciation expense - governmental activities	<u>\$ 2,180,590</u>

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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, 2016, is shown below:

Due to/from Other Funds:

	Due To:			
	General Fund	Bond Fund	Nonmajor Governmental Funds	Total
<u>Due From:</u>				
General Fund	\$ -	\$ 71,292	\$ 173,056	\$ 244,348
2014 GO Warrant Fund	165	-	-	165
Nonmajor Governmental Funds	484,330	-	25,220	509,550
	<u>\$ 484,495</u>	<u>\$ 71,292</u>	<u>\$ 198,276</u>	<u>\$ 754,063</u>

Interfund Transfers:

	Transfer In:			Total
	General Fund	Nonmajor Governmental Funds	Inert Landfill	
<u>Transfer Out:</u>				
General Fund	\$ -	\$ 1,399,171	\$ 271,374	\$ 1,670,545
Nonmajor Governmental Funds	94,875	-	-	94,875
	<u>\$ 94,875</u>	<u>\$ 1,399,171</u>	<u>\$ 271,374</u>	<u>\$ 1,765,420</u>

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

8. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfer In (Out)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
Governmental Activities:							
General City bonds and warrants	\$ 25,910,000	\$ -	\$ (1,175,000)	\$ -	\$ 24,735,000	\$ 1,385,000	\$ 23,350,000
Less deferred amounts:							
For issuance discounts	(120,883)	-	7,156	-	(113,727)	-	-
Add deferred amounts:							
For issuance premiums	31,035	-	(3,880)	-	27,155	-	-
Total General City bonds and warrants	25,820,152	-	(1,171,724)	-	24,648,428	1,385,000	23,350,000
Capital lease	1,333,076	259,378	(253,746)	171,805	1,510,513	304,358	1,206,155
Compensated absences	213,863	-	(723)	-	213,140	213,140	-
Net pension liability	-	842,251	-	-	842,251	-	842,251
Postemployment benefits other than pensions	2,203,961	365,932	-	-	2,569,893	-	2,569,893
	29,571,052	1,467,561	(1,426,193)	171,805	29,784,225	1,902,498	27,968,299
Business-type Activities:							
Capital leases	171,805	-	-	(171,805)	-	-	-
Total Long-Term Debt	<u>\$29,742,857</u>	<u>\$ 1,467,561</u>	<u>\$ (1,426,193)</u>	<u>\$ -</u>	<u>\$29,784,225</u>	<u>\$ 1,902,498</u>	<u>\$27,968,299</u>

Long-term debt payable at September 30, 2016, is comprised of the following:

General City Bonds and Warrants

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

Series 2005 General Obligation Warrants, interest at 3.3% to 4.4%	\$ 505,000
Series 2009 General Obligation Refunding Warrants, interest at 3.5% to 3.875%	2,680,000
Series 2009-A General Obligation Build America Bonds, interest at 3.0% to 5.5%	6,110,000
Series 2011 Taxable Pension Obligation Warrants, interest at 5.82% to 6.0%	11,165,000
Series 2014-CWSRF-DL General Obligation Warrants, interest at 1.5% to 2.25%	<u>4,275,000</u>
Total bonds and warrants	<u>\$ 24,735,000</u>

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

8. LONG-TERM DEBT (Continued)

General City Bonds and Warrants (Continued)

The annual debt service requirements to maturity, including principal and interest, for General City bonds and warrants as of September 30, 2016, are as follows:

	<u>Principal</u>	<u>Interest</u>
Year ending September 30:		
2017	\$ 1,385,000	\$ 1,124,907
2018	1,430,000	1,104,943
2019	1,490,000	1,045,008
2020	1,540,000	980,254
2021	1,930,000	910,950
2022 - 2026	5,745,000	3,463,209
2027 - 2031	3,775,000	2,553,900
2032 - 2036	4,780,000	1,543,163
2037 - 2039	<u>2,660,000</u>	<u>325,500</u>
Total	<u>\$ 24,735,000</u>	<u>\$ 13,051,834</u>

Capital Leases

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

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Machinery and equipment	\$ 1,938,082
Less accumulated depreciation	<u>372,057</u>
	<u>\$ 1,566,025</u>

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

8. LONG-TERM DEBT (Continued)

Capital Leases (Continued)

Governmental Activities

Capital lease obligation for three police cars dated October 21, 2014, payable in semi-annual installments of \$19,424, final payment due April 2017.	\$ 37,493
Capital lease obligation for two fire trucks dated June 9, 2014, payable in annual installments of \$156,770, final payment due June 2021.	717,550
Capital lease obligation for phone system dated April 24, 2015, payable in monthly installments of \$4,755, final payment due October 2020.	205,979
Capital lease obligation for excavator dated June 24, 2015, payable in monthly installments of \$1,848, final payment due May 2020.	145,180
Capital lease obligation for pothole patcher dated May 5, 2016, payable in annual installments of \$38,113, final payment due June 2021.	177,754
Capital lease obligation for backhoe dated February 17, 2016, payable in monthly installments of \$1,498, final payment due February 2021.	71,421
Capital lease obligation for excavator dated July 16, 2015, payable in monthly installments of \$1,935, final payment due July 2020.	<u>155,136</u>
Total capital lease obligations	<u>\$ 1,510,513</u>

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

8. LONG-TERM DEBT (Continued)

Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2016, were as follows:

	<u>Governmental Activities</u>
Year ending September 30:	
2017	\$ 354,169
2018	316,214
2019	315,322
2020	460,634
2021	<u>205,631</u>
Total minimum lease payments	1,651,970
Less amount representing interest	<u>141,457</u>
Present value of minimum lease payments	<u><u>\$ 1,510,513</u></u>

Operating Leases

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

Year ending September 30:	
2017	\$ 68,640
2018	68,640
2019	68,640
2020	<u>57,200</u>
Present value of minimum lease payments	<u><u>\$ 263,120</u></u>

Total rental expense for the above mentioned lease is \$63,771 for the year ended September 30, 2016.

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

Other Long-Term Debt

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

9. PENSION PLAN

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

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. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. 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. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

9. PENSION PLAN (Continued)

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) 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 (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

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

The ERS serves approximately 846 local participating employers. These participating employers include 287 cities, 65 counties, and 494 other public entities. The ERS membership includes approximately 84,393 participants. As of September 30, 2015, membership consisted of:

Retirees and beneficiaries currently receiving benefits	22,211
Terminated employees entitled to but not yet receiving benefits	1,353
Terminated employees not entitled to a benefit	5,451
Active members	55,164
Post-DROP retired members still in active status	<u>214</u>
Total	<u><u>84,393</u></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. State Police of the ERS contribute 10% 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. Tier 2 State Police members of the ERS contribute 10%

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

9. PENSION PLAN (Continued)

of earnable compensation. These contribution rates are the same for Tier 2 covered members of ERS local participating employers.

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, 2016, the City's active employee contribution rate was 5% of covered payroll for Tier 1 employees and 6% of covered employee payroll for Tier 2 employees, and the City's active employee contribution rate for certified law enforcement, correctional officers, and firefighters (FLC) was 6% of covered payroll for Tier 1 FLC and 7% of covered payroll for Tier 2 FLC. The City's average contribution rate to fund the normal and accrued liability costs was 2.91% of covered employee payroll.

The City's contractually required contribution rate for the year ended September 30, 2016 was 4.06% of pensionable pay for Tier 1 employees, and 2.11% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation dated September 30, 2015, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$348,933 for the year ended September 30, 2016.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2014 rolled forward to September 30, 2015 using standard roll-forward techniques as shown in the following table:

	Expected	Actual
(a) Total pension liability as of September 30, 2014	\$ 35,825,717	\$ 35,586,905
(b) Entry age normal cost for October 1, 2014 - September 30, 2015	734,225	734,225
(c) Actual benefit payments and refunds for October 1, 2014 - September 30, 2015	<u>(2,654,621)</u>	<u>(2,654,621)</u>
(d) Total pension liability as of September 30, 2015 = [(a) x (1.08)] + (b) - [(c) x (1.04)]	<u>\$ 36,665,194</u>	<u>\$ 36,407,277</u>
(e) Difference between expected and actual experience (gain)/loss		<u>\$ (257,917)</u>

Actuarial assumptions. The total pension liability in the September 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75 – 7.25%
Investment rate of return*	8.00%

*Net of pension plan investment expense

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

9. PENSION PLAN (Continued)

Net Pension Liability (Continued)

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the September 30, 2014 valuation 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, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	<u>2.00%</u>	1.50%
Total	<u><u>100.00%</u></u>	

*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, 8%. 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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

9. PENSION PLAN (Continued)

Changes in Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at September 30, 2014	\$ 35,825,717	\$ 37,235,476	\$ (1,409,759)
Changes for the year:			
Service cost	734,225	-	734,225
Interest	2,759,873	-	2,759,873
Differences between expected and actual experience	(257,917)	-	(257,917)
Contributions - employer	-	298,099	(298,099)
Contributions - employee	-	454,864	(454,864)
Net investment income	-	429,298	(429,298)
Benefit payments, including refunds of employee contributions	(2,654,621)	(2,654,621)	-
Administrative expense	-	-	-
Transfers among employers	-	(198,090)	198,090
Net changes	581,560	(1,670,450)	2,252,010
Balance at September 30, 2015	<u>\$ 36,407,277</u>	<u>\$ 35,565,026</u>	<u>\$ 842,251</u>

Sensitivity of the net pension liability to changes in the discount rate. The following table presents the City's net pension liability calculated using the discount rate of 8%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7%) or one percentage point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
Plan's Net Pension Liability (Asset)	<u>\$ 4,656,611</u>	<u>\$ 842,251</u>	<u>\$ (2,403,277)</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, 2015. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2015. The auditor's report dated October 17, 2016 on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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, 2016, the City recognized pension expense of \$548,461. At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 208,318
Net difference between projected and actual earnings on pension plan investments	1,156,363	-
Employer contributions subsequent to the measurement date	<u>348,933</u>	<u>-</u>
Total	<u>\$ 1,505,296</u>	<u>\$ 208,318</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2017	\$ 171,485
2018	171,485
2019	171,485
2020	443,511
2021	(9,922)

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

10. FUND BALANCES

As of September 30, 2016, fund balances consisted of the following:

	General Fund	Bond Fund	2014 GO Warrant Fund	Nonmajor Governmental Funds	Total
Nonspendable:					
Prepaid expenses	\$ 28,978	\$ -	\$ 22,831	\$ -	\$ 51,809
Note receivable	505,000	-	-	-	505,000
Restricted:					
Debt service	-	3,005,031	-	2,378	3,007,409
Capital projects	-	-	3,529,496	888,646	4,418,142
Community development	-	-	-	131,536	131,536
Municipal Court	-	-	-	68,668	68,668
Public safety	-	-	-	78,660	78,660
Public works	-	-	-	225,060	225,060
Committed:					
Economic development	-	-	-	162,892	162,892
Assigned:					
Police Department	-	-	-	3,486	3,486
Fire Department	-	-	-	1,282	1,282
Economic development	-	-	-	133,425	133,425
Unassigned	1,536,902	-	-	(300,975)	1,235,927
Total fund balance	<u>\$ 2,070,880</u>	<u>\$ 3,005,031</u>	<u>\$ 3,552,327</u>	<u>\$ 1,395,058</u>	<u>\$ 10,023,296</u>

11. RISK MANAGEMENT

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

12. CONTINGENT LIABILITIES

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

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

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The City administers a defined benefit healthcare plan (the Employees' Medical Insurance Plan) for employees of the City. The plan provides lifetime healthcare insurance for eligible retirees through the City's group health insurance plan, which covers both active and retired members. The Employees' Medical Insurance Plan does not issue a publicly available financial report. At September 30, 2016, the plan had approximately 229 active participants and 61 retired members and beneficiaries.

Funding Policy

The employer contributes \$292 for active participants and requires monthly contributions of \$75 from active participants who maintain single coverage and \$367 to \$665 from active participants who maintain family coverage. Beginning January 2014, the employer began absorbing monthly Affordable Care Act fees and taxes (\$13 to \$40 depending on coverage) for all members. Retirees are required to contribute certain amounts based on level of coverage and date of retirement as follows:

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

Total member contributions were \$315,120 for active participants and \$82,327 for retirees and beneficiaries.

Annual OPEB Cost and Net OPEB Obligation

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

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

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

Annual required contribution	\$ 527,121
Interest on net OPEB obligation	88,158
Adjustment to ARC	<u>(127,455)</u>
Annual OPEB cost	487,824
Contributions made	<u>(131,723)</u>
Increase in net OPEB obligation	356,101
Net OPEB obligation – beginning of year	<u>2,203,960</u>
Net OPEB obligation – end of year	<u>\$ 2,560,061</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 and the previous two years is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2014	\$ 526,363	14.79%	\$ 1,852,103
9/30/2015	487,824	27.00	2,560,061
9/30/2016	473,824	25.74	2,203,960

Funded Status and Funding Progress

As of September 30, 2016, the actuarial accrued liability for benefits was \$5,372,652 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$5,446,424, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 98.6%.

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

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Methods and Assumptions

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

The following significant assumptions were made:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at the earlier of 25 years of service at any age or 10 years of consecutive service and the attainment of age 60. In addition, “Tier 2” retirement plan members (those hired on and after January 1, 2013) would not be eligible to retire before age 62.

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

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

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

Healthcare cost trend rate – The expected rate of increase in medical cost is based on a graded schedule beginning with 8% annually, down to an ultimate annual rate of 5% for ten years out and later.

Health insurance premiums – 2013 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

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

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

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

14. DEFERRED OUTFLOW OF PENSION OBLIGATION BONDS

On July 26, 2011, the City issued the 2011 Taxable Pension Obligation Warrants in the amount of \$11,165,000. The proceeds of the warrants were used to prepay the City's unfunded ERS accrued actuarial liability in the amount of \$10,301,068. This prepayment has been recorded on the statement of net position as a deferred outflow of pension obligation bonds. The effect of this prepayment will be reflected in future actuarial reports as that information becomes available from ERS. The deferred outflow will be amortized as the debt is repaid. For the year ended September 30, 2016, \$355,209 was amortized and recorded as pension expense.

As of September 30, 2016, changes to the deferred outflow were as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental Activities	\$ 8,525,023	\$ -	\$ 355,209	\$ 8,169,814

15. EFFECT OF NEW PRONOUNCEMENTS

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

GASB 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The City is currently evaluating the impact, if any, that this Statement will have on its financial statements.

GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The City is currently evaluating the impact, if any, that this Statement will have on its financial statements.

GASB 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The City is currently evaluating the impact, if any, that this Statement will have on its financial statements.

15. EFFECT OF NEW PRONOUNCEMENTS (Continued)

GASB 77, Tax Abatement Disclosures. This statement requires state and local governments, for the first time, to disclose information about tax abatement agreements. It requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. Requirements for this Statement are effective for financial statements whose fiscal year begins after December 15, 2015. The City is currently evaluating the impact, if any, that this Statement will have on its financial statements.

GASB 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans. This Statement amends the scope and applicability of GASB 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that: (1) is not a state or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers; and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. Requirements for this Statement are effective for financial statements whose fiscal year begins after December 15, 2015. The City is currently evaluating the impact, if any, that this Statement will have on its financial statements.

GASB 80, Blending Requirements for Certain Component Units. This Statement clarifies the display requirements in GASB 14 by requiring these component units to be blended into the primary state or local government's financial statements in a manner similar to a department or activity of the primary government. The guidance addresses diversity in practice regarding the presentation of not-for-profit corporations in which the primary government is the sole corporate member. Requirements for this Statement are effective for financial statements whose fiscal year begins after June 15, 2016. The City is currently evaluating the impact, if any, that this Statement will have on its financial statements.

GASB 81, Irrevocable Split-Interest Agreements. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. Requirements for this Statement are effective for financial statements whose fiscal year begins after December 15, 2016. The City is currently evaluating the impact, if any, that this Statement will have on its financial statements.

GASB 82, Pension Issues. This Statement is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance. Requirements for this Statement are effective for financial statements whose fiscal year begins after June 15, 2016. The City is currently evaluating the impact, if any, that this Statement will have on its financial statements.

15. EFFECT OF NEW PRONOUNCEMENTS (Continued)

GASB 83, Certain Asset Retirement Obligations. This Statement establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to such obligations. Requirements for this Statement are effective for financial statements whose fiscal year begins after June 15, 2018. The City is currently evaluating the impact, if any, that this Statement will have on its financial statements.

GASB 84, Fiduciary Activities. This Statement establishes criteria for identifying fiduciary activities of all state and local governments and clarifies whether and how business-type activities should report their fiduciary activities. Requirements for this Statement are effective for financial statements whose fiscal year begins after December 15, 2018. The City is currently evaluating the impact, if any, that this Statement will have on its financial statements.

16. SUBSEQUENT EVENTS

The City has evaluated subsequent events through April 17, 2017, the date which the financial statements were available to be issued.

In October 2016, the City issued the Series 2016 Taxable General Obligation Warrants in the amount of \$14,810,000. Interest on the warrants is due semiannually beginning January 1, 2017 at a variable rate of 2.00% to 3.20%. Principal payments are due annually beginning July 1, 2021, through July 1, 2030, with a maximum principal of \$2,185,000 in fiscal year 2030. Proceeds of the warrants were used to defease the Series 2011 Taxable Pension Obligation Warrants.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SELMA, ALABAMA**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
Taxes	\$ 13,328,194	\$ 13,328,194	\$ 13,526,865	\$ 198,671
Licenses and permits	3,078,689	3,078,689	3,000,707	(77,982)
Intergovernmental	160,559	160,559	1,215,536	1,054,977
Charges for services	56,011	56,011	83,816	27,805
Other revenues	653,448	653,448	460,181	(193,267)
Interest on investments	994	994	462	(532)
Total revenues	17,277,895	17,277,895	18,287,567	1,009,672
EXPENDITURES				
Current operations:				
General government	5,825,185	5,793,501	6,707,119	(913,618)
Public safety	7,448,272	7,448,272	6,874,923	573,349
Public service	1,773,227	1,772,978	1,800,296	(27,318)
Other	1,720,867	1,726,367	1,785,581	(59,214)
Debt service:				
Principal retirement	-	-	343,746	(343,746)
Interest charges	662,936	662,936	77,739	585,197
Total expenditures	17,430,487	17,404,054	17,589,404	(185,350)
Excess (deficiency) of revenues over (under) expenditures	(152,592)	(126,159)	698,163	824,322
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	94,875	94,875
Transfers out	(110,000)	(110,000)	(1,670,545)	(1,560,545)
Capital lease	-	-	259,378	259,378
Total other financing sources (uses)	(110,000)	(110,000)	(1,316,292)	(1,206,292)
Net change in fund balances	(262,592)	(236,159)	(618,129)	(381,970)
FUND BALANCES - BEGINNING	2,689,009	2,689,009	2,689,009	-
FUND BALANCES - ENDING	\$ 2,426,417	\$ 2,452,850	\$ 2,070,880	\$ (381,970)

CITY OF SELMA, ALABAMA

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

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/10	\$ -	\$ 5,172,791	\$ 5,172,791	0.0%	\$ 8,508,143	60.8%
09/30/11	-	5,172,791	5,172,791	0.0%	8,653,127	59.8%
09/30/12	-	4,941,355	4,941,355	0.0%	7,417,824	66.6%
09/30/13	-	4,941,355	4,941,355	0.0%	9,157,885	54.0%
09/30/14	-	5,166,012	5,166,012	0.0%	7,994,811	64.6%
09/30/15	-	5,166,012	5,166,012	0.0%	7,465,065	69.2%

CITY OF SELMA, ALABAMA

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

<u>Year Ended *</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Asset</u>	<u>Actual Covered Employee Payroll</u>	<u>Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Fiduciary Net Position as a Percentage of Total Pension Asset</u>
09/30/14	-0.030%	\$ (1,409,759)	\$ 7,994,811	-17.63%	103.94%
09/30/15	0.016%	842,251	7,465,065	11.28%	97.69%

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become 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 EMPLOYER CONTRIBUTIONS TO THE CITY'S EMPLOYEE PENSION PLAN

Year Ended	Statutorily Required Contribution	Actual Employer Contributions	Contributions Excess / (Deficiency)	Actual Covered Employee Payroll	Contributions as a Percentage of Covered Payroll
09/30/15	\$ (32,946)	\$ 328,512	\$ 361,458	\$ 7,994,811	4.52%
09/30/16	513,961	348,933	(165,028)	7,465,065	-2.21%

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

SUPPLEMENTARY INFORMATION

CITY OF SELMA, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	Special Revenue								
	State Lodging Tax	Revolving Loan Fund	Drug Enforcement Unit	Alabama Trust Fund	Awarded Drug Unit Fund	SPD Sundry Account	Municipal Court	Pending General Forfeitures	Fire Department Sundry
ASSETS									
Cash and cash equivalents	\$ 129,245	\$ 26,747	\$ 40,624	\$ 408,261	\$ 3,278	\$ 639	\$ 32,881	\$ 25	\$ 1,282
Receivables	-	-	-	-	-	500	141	-	-
Due from other funds	33,898	-	-	292	-	100	16,607	-	-
Restricted assets:									
Cash and cash equivalents	-	-	-	-	-	-	-	-	-
Cash held by fiscal agent	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 163,143	\$ 26,747	\$ 40,624	\$ 408,553	\$ 3,278	\$ 1,239	\$ 49,629	\$ 25	\$ 1,282
LIABILITIES									
Accounts payable and accrued expenses	\$ 84	\$ -	\$ 41,861	\$ 3,393	\$ -	\$ -	\$ 1,634	\$ -	\$ -
Due to other funds	167	-	578	-	160	870	-	200	-
Other liabilities	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	251	-	42,439	3,393	160	870	1,634	200	-
FUND BALANCES									
Restricted	-	26,747	-	405,160	-	-	47,995	-	-
Committed	162,892	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	3,118	369	-	-	1,282
Unassigned	-	-	(1,815)	-	-	-	-	(175)	-
TOTAL FUND BALANCES	162,892	26,747	(1,815)	405,160	3,118	369	47,995	(175)	1,282
TOTAL LIABILITIES AND FUND BALANCES	\$ 163,143	\$ 26,747	\$ 40,624	\$ 408,553	\$ 3,278	\$ 1,239	\$ 49,629	\$ 25	\$ 1,282

See accompanying notes.

CITY OF SELMA, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	Special Revenue								
	Summer Food Program	Americorp Digital Divide	St. James Hotel Project	Planning and Development	Community Reinvestment	Firefighter Grant	Municipal Aid	Traffic Enforcement	Criminal Fines
ASSETS									
Cash and cash equivalents	\$ -	\$ -	\$ 2,334	\$ 26,150	\$ -	\$ 4,878	\$ 189,274	\$ 92,678	\$ 5,184
Receivables	-	-	751	4,417	-	-	18,278	-	-
Due from other funds	88,711	-	-	7,000	-	-	6,822	2,812	-
Restricted assets:									
Cash and cash equivalents	-	-	-	-	-	-	-	-	-
Cash held by fiscal agent	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 88,711	\$ -	\$ 3,085	\$ 37,567	\$ -	\$ 4,878	\$ 214,374	\$ 95,490	\$ 5,184
LIABILITIES									
Accounts payable and accrued expenses	\$ -	\$ -	\$ (30,247)	\$ -	\$ -	\$ -	\$ 9,012	\$ 43,609	\$ -
Due to other funds	3,270	166,457	143,978	18,221	-	8,090	30,610	-	-
Other liabilities	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	3,270	166,457	113,731	18,221	-	8,090	39,622	43,609	-
FUND BALANCES									
Restricted	85,441	-	-	19,346	-	-	174,752	51,881	5,184
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	(166,457)	(110,646)	-	-	(3,212)	-	-	-
TOTAL FUND BALANCES	85,441	(166,457)	(110,646)	19,346	-	(3,212)	174,752	51,881	5,184
TOTAL LIABILITIES AND FUND BALANCES	\$ 88,711	\$ -	\$ 3,085	\$ 37,567	\$ -	\$ 4,878	\$ 214,374	\$ 95,490	\$ 5,184

See accompanying notes.

CITY OF SELMA, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	Special Revenue									
	Cash Bonds	Restitutions	Restoration Revitalization Fund	ATF Sharing	PEG Fund	Occupancy Fee	Award General Forfeitures	Selma Animal Shelter	Municipal Judicial Adm Fund	Hope VI Main Street Fund
ASSETS										
Cash and cash equivalents	\$ 62,387	\$ 8,442	\$ 50	\$ 2,554	\$ 60,259	\$ 124,519	\$ 145	\$ 19,040	\$ 37,053	\$ -
Receivables	-	-	-	-	3,516	-	-	-	-	-
Due from other funds	-	-	-	-	-	17,813	-	-	-	-
Restricted assets:										
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-
Cash held by fiscal agent	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 62,387	\$ 8,442	\$ 50	\$ 2,554	\$ 63,775	\$ 142,332	\$ 145	\$ 19,040	\$ 37,053	\$ -
LIABILITIES										
Accounts payable and accrued expenses	\$ 61,967	\$ 8,408	\$ -	\$ -	\$ 1,800	\$ 8,906	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	11,717	-	-	-	16,975	-
Other liabilities	-	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	61,967	8,408	-	-	13,517	8,906	-	-	16,975	-
FUND BALANCES										
Restricted	420	34	50	2,554	50,258	-	145	19,040	20,078	-
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	133,426	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	420	34	50	2,554	50,258	133,426	145	19,040	20,078	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 62,387	\$ 8,442	\$ 50	\$ 2,554	\$ 63,775	\$ 142,332	\$ 145	\$ 19,040	\$ 37,053	\$ -

See accompanying notes.

CITY OF SELMA, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	Capital Projects				Debt Service			Total Nonmajor Governmental Funds
	1999 Capital Project Bond	Other Funds	2009 Capital Project Bond	Major Project	Public Building Authority	2009 Refunding Warrants	2011 Pension Warrants	
ASSETS								
Cash and cash equivalents	\$ -	\$ 4,295	\$ -	\$ 36,453	\$ -	\$ -	\$ -	\$ 1,318,677
Receivables	-	115	-	-	-	14,671	-	42,389
Due from other funds	-	24,221	-	-	-	-	-	198,276
Restricted assets:								
Cash and cash equivalents	38,001	-	-	-	30,221	12,356	-	80,578
Cash held by fiscal agent	-	-	415,114	-	-	-	1	415,115
TOTAL ASSETS	\$ 38,001	\$ 28,631	\$ 415,114	\$ 36,453	\$ 30,221	\$ 27,027	\$ 1	\$ 2,055,035
LIABILITIES								
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,427
Due to other funds	35,625	7,645	-	19,290	-	45,697	-	509,550
Other liabilities	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	35,625	7,645	-	19,290	-	45,697	-	659,977
FUND BALANCES								
Restricted	2,376	20,986	415,114	17,163	30,221	-	1	1,394,946
Committed	-	-	-	-	-	-	-	162,892
Assigned	-	-	-	-	-	-	-	138,195
Unassigned	-	-	-	-	-	(18,670)	-	(300,975)
TOTAL FUND BALANCES	2,376	20,986	415,114	17,163	30,221	(18,670)	1	1,395,058
TOTAL LIABILITIES AND FUND BALANCES	\$ 38,001	\$ 28,631	\$ 415,114	\$ 36,453	\$ 30,221	\$ 27,027	\$ 1	\$ 2,055,035

See accompanying notes.

CITY OF SELMA, ALABAMA

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Special Revenue								
	State Lodging Tax	Revolving Loan Fund	Drug Enforcement Unit	Alabama Trust Fund	Awarded Drug Unit Fund	SPD Sundry Account	Municipal Court	Pending General Forfeitures	Fire Department Sundry
REVENUES									
Taxes	\$ 304,383	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	182,999	-	-	-	-	-
Fines and forfeitures	-	-	-	-	3,400	-	25,611	-	-
Other revenues	63	-	-	7,500	-	5,852	2,296	-	1,250
Interest on investments	-	-	-	-	2	-	-	-	-
Total revenues	304,446	-	-	190,499	3,402	5,852	27,907	-	1,250
EXPENDITURES									
Current operations:									
General government	379,154	-	-	186,671	-	-	-	-	9
Public safety	-	-	-	-	4,793	2,561	33,986	-	-
Public service	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	3,023	5,236	220	-
Debt service:									
Principal retirement	-	-	-	-	-	-	-	-	-
Interest charges	-	-	-	-	-	-	-	-	-
Total expenditures	379,154	-	-	186,671	4,793	5,584	39,222	220	9
Excess (deficiency) of revenues over (under) expenditures	(74,708)	-	-	3,828	(1,391)	268	(11,315)	(220)	1,241
OTHER FINANCING SOURCES (USES)									
Transfers in	6,918	-	-	-	-	-	-	-	-
Transfers out	(1,000)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	5,918	-	-	-	-	-	-	-	-
Net change in fund balances	(68,790)	-	-	3,828	(1,391)	268	(11,315)	(220)	1,241
FUND BALANCES - BEGINNING	231,682	26,747	(1,815)	401,332	4,509	101	59,310	45	41
FUND BALANCES - ENDING	\$ 162,892	\$ 26,747	\$ (1,815)	\$ 405,160	\$ 3,118	\$ 369	\$ 47,995	\$ (175)	\$ 1,282

See accompanying notes.

CITY OF SELMA, ALABAMA

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Special Revenue								
	Summer Food Program	Americorp Digital Divide	St. James Hotel Project	Planning and Development	Community Reinvestment	Firefighter Grant	Municipal Aid	Traffic Enforcement	Criminal Fines
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 185,825	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	19,240	-	-
Intergovernmental	137,177	-	-	-	-	13,964	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	268,386	2,610
Other revenues	-	-	346,870	-	1	-	-	-	-
Interest on investments	-	-	63	-	-	-	-	-	2
Total revenues	137,177	-	346,933	-	1	13,964	205,065	268,386	2,612
EXPENDITURES									
Current operations:									
General government	137,191	5,134	765,435	-	-	-	65,403	50,823	-
Public safety	-	-	-	-	-	19,070	-	230,324	-
Public service	-	-	-	-	-	-	292,135	-	-
Other	-	-	-	-	-	-	4,019	-	1,211
Debt service:									
Principal retirement	-	-	-	-	-	-	-	-	-
Interest charges	-	-	-	-	-	-	-	-	-
Total expenditures	137,191	5,134	765,435	-	-	19,070	361,557	281,147	1,211
Excess (deficiency) of revenues over (under) expenditures	(14)	(5,134)	(418,502)	-	1	(5,106)	(156,492)	(12,761)	1,401
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	453,590	-	-	-	-	-	-
Transfers out	-	-	-	-	(93,875)	-	-	-	-
Total other financing sources (uses)	-	-	453,590	-	(93,875)	-	-	-	-
Net change in fund balances	(14)	(5,134)	35,088	-	(93,874)	(5,106)	(156,492)	(12,761)	1,401
FUND BALANCES - BEGINNING	85,455	(161,323)	(145,734)	19,346	93,874	1,894	331,244	64,642	3,783
FUND BALANCES - ENDING	\$ 85,441	\$ (166,457)	\$ (110,646)	\$ 19,346	\$ -	\$ (3,212)	\$ 174,752	\$ 51,881	\$ 5,184

See accompanying notes.

CITY OF SELMA, ALABAMA

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Special Revenue									
	Cash Bonds	Restitutions	Restoration Revitalization Fund	ATF Sharing	PEG Fund	Occupancy Fee	Award General Forfeitures	Selma Animal Shelter	Municipal Judicial Adm Fund	Hope VI Main Street Fund
REVENUES										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,672	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-
Other revenues	-	-	-	-	14,357	-	153	8,374	11,239	-
Interest on investments	-	-	-	-	27	26	-	-	12	-
Total revenues	-	-	-	-	14,384	63,698	153	8,374	11,251	-
EXPENDITURES										
Current operations:										
General government	-	-	-	-	3,218	20	-	-	96	-
Public safety	-	-	-	-	-	-	-	-	-	-
Public service	-	-	-	-	-	-	-	12,697	-	-
Other	-	-	-	-	-	-	684	-	-	-
Debt service:										
Principal retirement	-	-	-	-	-	-	-	-	-	-
Interest charges	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	-	-	-	3,218	20	684	12,697	96	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	11,166	63,678	(531)	(4,323)	11,155	-
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	-	-	-	-	11,166	63,678	(531)	(4,323)	11,155	-
FUND BALANCES - BEGINNING	420	34	50	2,554	39,092	69,748	676	23,363	8,923	-
FUND BALANCES - ENDING	\$ 420	\$ 34	\$ 50	\$ 2,554	\$ 50,258	\$ 133,426	\$ 145	\$ 19,040	\$ 20,078	\$ -

See accompanying notes.

CITY OF SELMA, ALABAMA

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

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Capital Projects				Debt Service			Total
	1999 Capital Project Bond	Other Funds	2009 Capital Project Bond	Major Project	Public Building Authority	2009 Refunding Warrants	2011 Pension Warrants	Nonmajor Governmental Funds
REVENUES								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 553,880
Licenses and permits	-	-	-	-	-	-	-	19,240
Intergovernmental	-	-	-	-	-	154,959	-	489,099
Fines and forfeitures	-	-	-	-	-	-	-	300,007
Other revenues	-	-	43	-	-	-	-	397,998
Interest on investments	-	-	-	-	12	-	1	145
Total revenues	-	-	43	-	12	154,959	1	1,760,369
EXPENDITURES								
Current operations:								
General government	-	5,000	18,095	287	-	36	-	1,616,572
Public safety	-	-	-	-	-	-	-	290,734
Public service	-	-	-	-	-	-	-	304,832
Other	-	-	-	-	-	-	-	14,393
Debt service:								
Principal retirement	-	-	-	-	-	330,000	-	330,000
Interest charges	-	-	-	-	-	104,300	660,936	765,236
Total expenditures	-	5,000	18,095	287	-	434,336	660,936	3,321,767
Excess (deficiency) of revenues over (under) expenditures	-	(5,000)	(18,052)	(287)	12	(279,377)	(660,935)	(1,561,398)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	277,728	660,935	1,399,171
Transfers out	-	-	-	-	-	-	-	(94,875)
Total other financing sources (uses)	-	-	-	-	-	277,728	660,935	1,304,296
Net change in fund balances	-	(5,000)	(18,052)	(287)	12	(1,649)	-	(257,102)
FUND BALANCES - BEGINNING	2,376	25,986	433,166	17,450	30,209	(17,021)	1	1,652,160
FUND BALANCES - ENDING	\$ 2,376	\$ 20,986	\$ 415,114	\$ 17,163	\$ 30,221	\$ (18,670)	\$ 1	\$ 1,395,058

See accompanying notes.

CITY OF SELMA, ALABAMA
COMPUTATION OF LEGAL DEBT MARGIN
SEPTEMBER 30, 2016

Assessed value		<u>\$ 127,580,200</u>
Legal debt margin		
Debt limitation - 20 percent of assessed value		\$ 25,516,040
Debt applicable to limitation:		
Long-term bonded debt including capital leases	\$ 26,090,377	
Less: Debt attributable for school purposes	(1,464,793)	
Less: Debt attributable for sewer purposes	(4,275,000)	
Less: Amount available for payment of general obligation debt	<u>(3,378,483)</u>	
Total debt applicable to limitation		<u>16,972,101</u>
Legal debt margin		<u>\$ 8,543,939</u>

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

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

See accompanying notes.

CITY OF SELMA, ALABAMA

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT SEPTEMBER 30, 2016

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to Government (a)</u>	<u>Amount Applicable to Government</u>
Direct			
City of Selma:			
General obligations including capital leases	\$ 26,090,377 (a)	100.00%	\$ 26,090,377
Overlapping			
Dallas County:			
General obligations including capital leases	<u>7,003,042</u>	34.40%	<u>2,409,046</u>
Total	<u>\$ 33,093,419</u>		<u>\$ 28,499,423</u>

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

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

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

See accompanying notes.