

**CITY OF SELMA, ALABAMA**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

**CITY OF SELMA, ALABAMA**  
SEPTEMBER 30, 2009

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## **Independent Auditors' Report**

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

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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2010, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over the financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and page 41, is not a required part of the basis financial statements but are supplementary information required by accounting principles generally accepted in the United State of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining and individual major and nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual major and nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Nelson, Price, Bannock, Blankenship & Billingsley, P.C.*

March 19, 2010

# **CITY OF SELMA**

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

## **FINANCIAL MANAGEMENT DISCUSSION AND ANALYSIS ANNUAL FINANCIAL STATEMENT FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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, 2009. 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, 2009, the City's net assets (assets minus liabilities) totaled \$33,306,667, an increase of \$541,932 over the September 30, 2008 figure.
- Total net assets for governmental activities are comprised of the following:
  - (1) Capital assets net of related debt of \$23,291,923, include property and equipment, net of accumulated depreciation, and is reduced for outstanding debt related to the purchase or construction of capital assets.
  - (2) Net assets of \$6,390,379 are restricted by constraints imposed from outside the City such as debt covenants, laws and regulations.
  - (3) Unrestricted net assets of \$3,002,538 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- Total net assets for governmental activities increased by \$676,710, thus bringing the total to \$32,684,840 for fiscal year 2009.
- Total net assets for business-type activities decreased by \$134,778, thus bringing the total down to \$621,827 for fiscal year 2009.
- Fund balances (a measure of current financial resources) in governmental funds decreased by \$84,641 to a total of \$10,420,457. Of this amount \$1,073,535 is reserved and is not appropriable for expenditures or is legally segregated for a specific future use. The remaining \$9,346,922 is unreserved, of which \$6,329,156 is designated for debt service and capital projects. The remaining \$3,017,766 is undesignated and is available for future programs.

- The general fund undesignated fund balance, as of September 30, 2009, was \$2,477,985, or 14.9% of total general fund expenditures.
- The City's total bond and capital lease debt decreased by \$1,558,437 (17%) during the current fiscal year. There were no new bond or warrant commitments during this fiscal year.
- The City entered into a capital lease agreement this year for a landfill compactor.

## **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.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. 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 assets 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 assets 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 assets 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 maintains 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 is the Inert Landfill. Enterprise funds are used to report business-type activities.

*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.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

The City's net assets totaled \$33,306,667 as of September 30, 2009. The following table reflects the condensed Government-Wide Statement of Net Assets:

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Current and other assets	\$ 12,256	\$ 11,762	\$ 377	\$ 425	\$ 12,633	\$ 12,187
Capital assets	30,110	31,073	751	353	30,861	31,426
Total Assets	<u>42,366</u>	<u>42,835</u>	<u>1,128</u>	<u>778</u>	<u>43,494</u>	<u>43,613</u>
Current and other liabilities	3,750	3,523	205	22	3,955	3,545
Long-term liabilities	5,931	7,304	301	-	6,232	7,304
Total Liabilities	<u>9,681</u>	<u>10,827</u>	<u>506</u>	<u>22</u>	<u>10,187</u>	<u>10,849</u>
Net assets:						
Invested in capital assets, net of related debt	23,292	23,012	359	336	23,651	23,348
Restricted	6,390	5,855	-	-	6,390	5,855
Unrestricted	3,003	3,141	263	420	3,266	3,561
Total Net Assets	<u>\$ 32,685</u>	<u>\$ 32,008</u>	<u>\$ 622</u>	<u>\$ 756</u>	<u>\$ 33,307</u>	<u>\$ 32,764</u>

The City's total assets were \$43,494,145 as of September 30, 2009. Of this amount, \$30,861,009 is accounted for by capital assets, which includes infrastructure.

Of the remaining City assets, \$9,865,676 is accounted for in cash and cash equivalents, \$1,612,464 in accounts receivable, \$1,060,000 in notes receivable, and the remainder spread among miscellaneous assets.

At September 30, 2009, the City had outstanding liabilities of \$10,187,478, of which \$8,262,644 was long-term debt. Long-term debt includes bonds and warrants payable and capital lease obligations. Of the total amount outstanding approximately \$2,030,727 was due within one year, with the remainder due at various dates before 2021.

Included in other liabilities in the above table are \$1,339,994 in accounts payable and other current liabilities and \$56,777 in accrued interest payable.

The largest portion of the City's net assets 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 assets represents resources that are subject to external restrictions on how they may be used. In the current fiscal year, this represents \$6,390,379 or 19.2% of total net assets. The remaining \$3,265,700 or 9.8% of total net assets may be used to meet the City's ongoing obligations to its citizens and creditors for all activities.

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

<b>Changes in Net Assets</b>						
<b>As of September 30</b>						
<b>(In Thousands)</b>						
	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Revenues						
Program revenues						
Charges for services	\$ 4,185	\$ 4,108	\$ 253	\$ 408	\$ 4,438	\$ 4,516
Operating grants and contributions	1,079	853	-	-	1,079	853
Capital grants and contributions	441	471	-	-	441	471
General revenues						
Property taxes	2,435	2,560	-	-	2,435	2,560
Sales and use taxes	10,317	10,691	-	-	10,317	10,691
Lodging taxes	299	356	-	-	299	356
Other taxes	1,303	1,323	-	-	1,303	1,323
Investment earnings	95	225	1	2	96	227
Other	354	242	-	-	354	242
<b>Total revenues</b>	<b>20,508</b>	<b>20,829</b>	<b>254</b>	<b>410</b>	<b>20,762</b>	<b>21,239</b>
Expenses						
General government	7,055	7,690	-	-	7,055	7,690
Public safety	7,567	7,710	-	-	7,567	7,710
Public service	3,228	3,723	-	-	3,228	3,723
Other	1,589	1,588	-	-	1,589	1,588
Interest on long-term debt	403	473	-	-	403	473
Inert Landfill	-	-	388	372	388	372
<b>Total expenses</b>	<b>19,842</b>	<b>21,184</b>	<b>388</b>	<b>372</b>	<b>20,230</b>	<b>21,556</b>
Increase (decrease) in net assets	666	(355)	(134)	38	532	(317)
Net assets - beginning as originally reported	32,008	32,363	756	718	32,764	33,081
Prior period adjustment	11	-	-	-	11	-
Net assets - as restated	32,019	32,363	756	718	32,775	33,081
Net assets - ending	<b>\$ 32,685</b>	<b>\$ 32,008</b>	<b>\$ 622</b>	<b>\$ 756</b>	<b>\$ 33,307</b>	<b>\$ 32,764</b>

Total revenues for the City were \$20,758,741 for the year ended September 30, 2009. Governmental activities provided \$20,505,043 or 98.8%, while \$253,698 of business-type activities revenue was provided by charges for services and interest income. The governmental activities received \$10,317,243, or 49.7% of total revenue, from sales taxes and \$2,707,713, or 13.0% of total revenue, from business licenses and permits.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

Fund balances decreased by \$84,641 in the current year. This amount includes a negative adjustment of \$124,974 as a result of a prior period adjustment. The 1999 Bond Fund increased by \$854,710 while other governmental funds balance decreased by \$939,351. The Other Governmental Fund column consists of 20 plus funds combined for this report because their revenues and expenses are smaller than other funds of the City.

## **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.

## **General Fund Budgetary Highlights**

Total revenues reported for the general fund were \$17,135,198 which was an increase of \$124,198 or 0.7% over final budgeted revenues. Original budgeted revenues for 2009 were \$17,701,385 which was decreased throughout the year to \$17,011,000. These budget amendments were necessary due to the expectation that actual revenue collections would exceed initial projections.

Total general fund expenditures were \$16,634,342, which was a decrease of \$106,288 or 0.6% under final budgeted expenditures. The original budgeted expenditures for 2009 were \$17,404,375 which was decreased throughout the year to \$16,740,630. The amendments which contributed to the majority of this decrease are as follows:

- 12.5% salary reduction for employees (excluding Public Safety) \$350,000
- Reduction in Council and Mayor's Discretionary Funds \$68,000
- Travel, Training and Conferences \$69,000
- Contract for Services \$36,000

General government expenditures were greater than budgeted expenditures by \$170,824. The primary reasons for this variance are as follows:

- Landfill Tipping Fees (Selma Transfer Station) \$55,000
- Alabama Power Company \$43,000
- Selma Street Lighting \$44,000

## **Capital Asset and Debt Administration**

The City has invested substantial resources in capital assets that support the services provided to the public. During fiscal year 2009, the City put a new roof on the public safety building and also on the future Selma Interpretive Center building. Security cameras were installed in and around the public safety building. The police department upgraded their server and network. The public works department purchased a dump truck out of Municipal Aid Funds.

During 2009 the City made principal payments totaling \$1,580,000 on all bonds and warrant debts. This includes the payoff debt of \$515,000 for the 1975 PBA Revenue Bond.

Additional details about capital assets and the outstanding debt are outlined in the notes to the financial statements.

## **THE OUTLOOK FOR NEXT YEAR**

The City of Selma is located approximately 50 miles west of the Capital City of Montgomery with a 2000 census population of 20,512 residents. The City continues to see moderate increases in recent years in tandem with residential investment and local college/university enrollment. However, employment levels have shown drastic decreases in the past year. Dallas County unemployment rate reached an all-time high of 23.1%, the second highest in the State of Alabama. There have been signs of a reversal in the unemployment downward spiral, but it may not be realized for the City within the next fiscal year.

The City of Selma continues to work toward completion of major projects. Given the unstable economy, the cost of construction materials, as well as contractors fees are at an all-time low. The City will move at a rapid rate to bid construction projects and find new ways to leverage existing funding for major projects. The passing of a 12 million dollar bond issue in October 2009 will effectively address some of the City's infrastructure and renovation needs without placing a strain on the general fund. The primary focus of the City is reflective in the Comprehensive Community Master Plan and Riverfront Development Master Plans which includes:

- Riverfront Development - The City has begun work on Phase I of the Riverfront trail. This project is scheduled to be complete in the Fall of 2010.
- Riverfront Amphitheatre - The amphitheatre was included in the bond vote and engineering for the project will begin Spring of 2010. This facility is expected to help increase revenue for the City with the attractions booked in the venue. It is anticipated that it will impact sales tax and lodging tax while providing an avenue to market other tourist attractions in Selma.
- Downtown Redevelopment - The City is developing public/private partnerships to assist with the rehabilitation and redevelopment of the downtown district. The Water Avenue Utility/Streetscape project has been authorized by ALDOT and is slated for completion by Summer 2010.
- Public Infrastructure - The City of Selma is a historic City with infrastructures dating back to the early 1800's. The City was fortunate to have some of its infrastructure concerns addressed in the October 2010 bond issue. The City is further seeking ways to leverage the bond funds to increase the immediate impact the construction under the bond funds can have on the City's infrastructure. The City will continue to seek funding through ADECA and Omnibus Appropriations to help correct the age old infrastructure problem in the City.
- Selma Voting Rights Interpretive Center - The City of Selma is partnered with the National Park Service to develop one of the three Interpretive Centers slated for the National Voting Rights Trail. Stabilization has begun on the buildings and the phased project is scheduled for completion around 2014.
- Improvement of Local Government Facilities and Public Space - The City of Selma has many public buildings that are in grave disrepair. The City was fortunate to have some of the renovation of public buildings addressed in the October 2010 bond issue.

- Code Enforcement - The City has began the restructuring of the Code Enforcement Department in 2009. There is evidence of stronger and more consistent enforcement of the City's code enforcement ordinances.
- Weed and Seed - The City has begun implementation of the Historic Selma Weed and Seed Strategy. It includes Law Enforcement, community policing, prevention, intervention, and treatment. It also includes a very important neighborhood restoration component. The City is currently seeking funding through the U.S. Department of Justice to support the efforts of this program.

The City received \$996,000 in American Recovery funds in 2009 for major projects. If additional recovery funds applied for in 2010 are received the City can realize the completion of many long awaited projects.

The City's Comprehensive Community Master Plan and the Riverfront Development Plan were completed in 2009 with input from its citizens. Additionally, the City continues to work with the Chamber and Downtown Mainstreet Program in its efforts of recruitment and retention of retail businesses. The City anticipates retail development improvement in the next year that will help boost the City's revenue by producing more tax dollars.

Weed and Seed Steering Committees were organized and are now working with the various agencies to help weed out crime in targeted areas which will have a positive effect on tourism and in turn have a positive impact on the City's economy.

## **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, 36702.

## **FINANCIAL STATEMENTS**

**CITY OF SELMA, ALABAMA**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2009**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,522,281	\$ 343,395	\$ 9,865,676
Receivables, net	1,574,880	37,584	1,612,464
Internal balances	4,095	(4,095)	-
Prepaid expenses	13,535	-	13,535
Notes receivable	1,060,000	-	1,060,000
Deferred debt expense, net	81,461	-	81,461
Capital assets not being depreciated:			
Land	2,428,185	104,913	2,533,098
Construction in progress	620,638	-	620,638
Capital assets net of accumulated depreciation:			
Buildings	3,188,202	-	3,188,202
Improvements	8,652,078	-	8,652,078
Infrastructure	12,753,609	-	12,753,609
Machinery and equipment	2,466,832	646,552	3,113,384
<b>TOTAL ASSETS</b>	<b>\$ 42,365,796</b>	<b>\$ 1,128,349</b>	<b>\$ 43,494,145</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 713,129	\$ 113,532	\$ 826,661
Accrued interest payable	56,777	-	56,777
Other current liabilities	513,142	191	513,333
Deferred revenue	528,063	-	528,063
Noncurrent liabilities:			
Due within one year	1,939,246	91,481	2,030,727
Due in more than one year	5,930,599	301,318	6,231,917
<b>TOTAL LIABILITIES</b>	<b>9,680,956</b>	<b>506,522</b>	<b>10,187,478</b>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	23,291,923	358,665	23,650,588
Restricted for:			
Economic development	250,931	-	250,931
Community development	297,124	-	297,124
Capital projects	2,812,221	-	2,812,221
Debt service	3,030,103	-	3,030,103
Unrestricted	3,002,538	263,162	3,265,700
<b>TOTAL NET ASSETS</b>	<b>32,684,840</b>	<b>621,827</b>	<b>33,306,667</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 42,365,796</b>	<b>\$ 1,128,349</b>	<b>\$ 43,494,145</b>

See accompanying notes to financial statements.

**CITY OF SELMA, ALABAMA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

Function/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government		Total
						Business-type Activities		
<b>Primary Government</b>								
Governmental activities:								
General government	\$ 7,055,534	\$ 2,981,560	\$ 869,292	\$ -	\$ (3,204,682)	\$ -	\$ -	\$ (3,204,682)
Public safety	7,567,215	242,154	209,329	-	(7,115,732)	-	-	(7,115,732)
Public service	3,227,494	831,772	-	440,642	(1,955,080)	-	-	(1,955,080)
Other	1,589,117	129,732	-	-	(1,459,385)	-	-	(1,459,385)
Interest and fiscal charges on long-term debt	402,895	-	-	-	(402,895)	-	-	(402,895)
Total governmental activities	<u>19,842,255</u>	<u>4,185,218</u>	<u>1,078,621</u>	<u>440,642</u>	<u>(14,137,774)</u>	<u>-</u>	<u>-</u>	<u>(14,137,774)</u>
Business-type activities:								
Inert landfill	388,476	253,266	-	-	-	(135,210)	-	(135,210)
Total primary government	<u>\$ 20,230,731</u>	<u>\$ 4,438,484</u>	<u>\$ 1,078,621</u>	<u>\$ 440,642</u>	<u>(14,137,774)</u>	<u>(135,210)</u>	<u>(135,210)</u>	<u>(14,272,984)</u>
<b>General Revenues</b>								
Property taxes					2,435,473	-	-	2,435,473
Sales taxes					10,317,243	-	-	10,317,243
Lodging taxes					299,391	-	-	299,391
Motor fuel taxes					823,990	-	-	823,990
Alcoholic beverage taxes					149,410	-	-	149,410
Tobacco taxes					329,730	-	-	329,730
Investment earnings					95,002	432	-	95,434
Miscellaneous revenue					353,423	-	-	353,423
Total general revenues and transfers					<u>14,803,662</u>	<u>432</u>	<u>-</u>	<u>14,804,094</u>
Change in net assets					<u>665,888</u>	<u>(134,778)</u>	<u>-</u>	<u>531,110</u>
Net assets - beginning as originally reported					<u>32,008,130</u>	<u>756,605</u>	<u>-</u>	<u>32,764,735</u>
Prior period adjustments					<u>10,822</u>	<u>-</u>	<u>-</u>	<u>10,822</u>
Net assets - beginning as restated					<u>32,018,952</u>	<u>756,605</u>	<u>-</u>	<u>32,775,557</u>
Net assets - ending					<u>\$ 32,684,840</u>	<u>\$ 621,827</u>	<u>\$ -</u>	<u>\$ 33,306,667</u>

See accompanying notes to financial statements.

**CITY OF SELMA, ALABAMA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2009**

	<u>General Fund</u>	<u>Other Funds Account</u>	<u>1999 Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,602,608	\$ 521,875	\$ 4,631,808	\$ 2,765,990	\$ 9,522,281
Receivables - taxes	924,363	-	-	-	924,363
Receivables - other	269,761	144,625	2,626	233,505	650,517
Prepaid expenses	13,535	-	-	-	13,535
Due from other funds	949,752	18,221	33,596	97,232	1,098,801
Notes receivable	1,060,000	-	-	-	1,060,000
<b>TOTAL ASSETS</b>	<u>\$ 4,820,019</u>	<u>\$ 684,721</u>	<u>\$ 4,668,030</u>	<u>\$ 3,096,727</u>	<u>\$ 13,269,497</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 618,394	\$ 8,053	\$ -	\$ 86,682	\$ 713,129
Other current liabilities	483,214	-	-	29,928	513,142
Deferred revenue	36,063	492,000	-	-	528,063
Due to other funds	130,828	130,863	-	833,015	1,094,706
<b>TOTAL LIABILITIES</b>	<u>1,268,499</u>	<u>630,916</u>	<u>-</u>	<u>949,625</u>	<u>2,849,040</u>
<b>FUND BALANCES</b>					
Unreserved:					
Undesignated	2,477,985	-	-	539,781	3,017,766
Designated for capital projects	-	53,805	-	1,527,954	1,581,759
Designated for debt service	-	-	4,668,030	79,367	4,747,397
Reserved:					
Prepaid expenses	13,535	-	-	-	13,535
Notes receivable	1,060,000	-	-	-	1,060,000
<b>TOTAL FUND BALANCES</b>	<u>3,551,520</u>	<u>53,805</u>	<u>4,668,030</u>	<u>2,147,102</u>	<u>10,420,457</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 4,820,019</u>	<u>\$ 684,721</u>	<u>\$ 4,668,030</u>	<u>\$ 3,096,727</u>	<u>\$ 13,269,497</u>

See accompanying notes to financial statements.

**CITY OF SELMA, ALABAMA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2009**

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

Total fund balances - governmental funds		\$ 10,420,457
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		30,109,544
Deferred debt expenses are allocated over their estimated useful lives and are shown net of amortization expense as an asset on the Statement of Net Assets.		81,461
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, 2009 were:		
Bonds, leases and notes payable	\$ (7,256,983)	
Accrued interest	(56,777)	
Claims and judgments	(150,000)	
Compensated absences	(231,395)	
Postemployment benefits other than pensions	(231,467)	
Total long-term liabilities		<u>(7,926,622)</u>
Net assets of governmental activities		<u>\$ 32,684,840</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, 2009

	General Fund	Other Funds Account	1999 Bond Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 12,754,861	\$ -	\$ 1,080,210	\$ 520,164	\$ 14,355,235
Licenses and permits	2,707,713	-	-	23,717	2,731,430
Intergovernmental	312,752	419,241	-	1,220,297	1,952,290
Charges for services	829,158	-	-	-	829,158
Other revenues	525,601	-	-	16,330	541,931
Interest on investments	5,113	272	72,925	16,689	94,999
Total revenues	<u>17,135,198</u>	<u>419,513</u>	<u>1,153,135</u>	<u>1,797,197</u>	<u>20,505,043</u>
<b>EXPENDITURES</b>					
Current operations:					
General government	5,181,543	645,096	30	1,204,343	7,031,012
Public safety	7,271,212	-	-	126,105	7,397,317
Public service	2,076,902	-	-	-	2,076,902
Other	1,617,506	-	-	-	1,617,506
Debt service:					
Principal retirement	404,319	-	225,000	1,304,356	1,933,675
Interest charges	82,860	-	73,395	252,043	408,298
Total expenditures	<u>16,634,342</u>	<u>645,096</u>	<u>298,425</u>	<u>2,886,847</u>	<u>20,464,710</u>
Excess (deficiency) of revenues over (under) expenditures	<u>500,856</u>	<u>(225,583)</u>	<u>854,710</u>	<u>(1,089,650)</u>	<u>40,333</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	224,939	-	875,991	1,100,930
Transfers out	(855,442)	-	-	(245,488)	(1,100,930)
Total other financing sources (uses)	<u>(855,442)</u>	<u>224,939</u>	<u>-</u>	<u>630,503</u>	<u>-</u>
Net change in fund balances	<u>(354,586)</u>	<u>(644)</u>	<u>854,710</u>	<u>(459,147)</u>	<u>40,333</u>
<b>FUND BALANCES - BEGINNING (AS ORIGINALLY REPORTED)</b>					
	4,031,080	54,449	3,813,320	2,606,249	10,505,098
Prior period adjustments	(124,974)	-	-	-	(124,974)
<b>FUND BALANCES - BEGINNING (AS RESTATED)</b>					
	<u>3,906,106</u>	<u>54,449</u>	<u>3,813,320</u>	<u>2,606,249</u>	<u>10,380,124</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 3,551,520</u>	<u>\$ 53,805</u>	<u>\$ 4,668,030</u>	<u>\$ 2,147,102</u>	<u>\$ 10,420,457</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, 2009

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

Net change in fund balances - total governmental funds		\$	40,333
Capital outlays, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Assets.			680,154
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.			(1,782,148)
The costs of deferred debt expense incurred are allocated over the term of the bond or warrant issue and reported as amortization expense.			(16,564)
The net effect of transactions involving donation of capital assets is to increase net assets.			3,100
Repayment of long-term debt is reported as an expenditure in governmental funds, but a reduction of long-term liabilities in the Statement of Net Assets.			
General obligation bonds and warrants	\$	1,580,000	
Capital leases		<u>353,675</u>	
Total repayments			1,933,675
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			16,838
Decreases in long-term debt and related items that are not financial resources decrease net assets in the Statement of Net Assets.			
Accrued interest			21,967
Increases in long-term debt and related items that are not financial resources increase net assets in the Statement of Net Assets.			
Postemployment benefits other than pensions			<u>(231,467)</u>
Change in net assets of governmental activities		\$	<u><u>665,888</u></u>

See accompanying notes to financial statements.

**CITY OF SELMA, ALABAMA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
**SEPTEMBER 30, 2009**

	<b>Inert Landfill</b>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 343,395
Receivables, net	37,584
Total current assets	<u>380,979</u>
<b>CAPITAL ASSETS</b>	
Land	104,913
Machinery and equipment	1,669,281
Construction in progress	-
Less accumulated depreciation	<u>(1,022,729)</u>
Total capital assets, net of accumulated depreciation	<u>751,465</u>
<b>TOTAL ASSETS</b>	<u>1,132,444</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	113,532
Other liabilities	191
Due to other funds	4,095
Capital lease obligation	91,481
Total current liabilities	<u>209,299</u>
<b>NONCURRENT LIABILITIES</b>	
Capital lease obligation	<u>301,318</u>
<b>TOTAL LIABILITIES</b>	<u>510,617</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	358,665
Unrestricted	263,162
<b>TOTAL NET ASSETS</b>	<u>\$ 621,827</u>

See accompanying notes to financial statements.

**CITY OF SELMA, ALABAMA**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2009

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	<b><u>Inert Landfill</u></b>
<b>OPERATING REVENUES</b>	
Service fees	\$ 253,266
<b>OPERATING EXPENSES</b>	
Personnel	92,262
Repairs and maintenance	33,218
Other operating expenses	33,352
Depreciation	76,071
Professional services	140,111
Total operating expenses	<u>375,014</u>
<b>OPERATING LOSS</b>	<u>(121,748)</u>
<b>NONOPERATING REVENUES (EXPENSE)</b>	
Interest income	432
Interest expense	<u>(13,462)</u>
Total nonoperating revenues (expense)	<u>(13,030)</u>
Change in net assets	(134,778)
<b>TOTAL NET ASSETS - BEGINNING</b>	<u>756,605</u>
<b>TOTAL NET ASSETS - ENDING</b>	<u><u>\$ 621,827</u></u>

See accompanying notes to financial statements.

**CITY OF SELMA, ALABAMA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

	<u><b>Inert Landfill</b></u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 302,772
Payments to suppliers for goods and services	(96,604)
Payments to employees for services	(93,026)
Net cash provided by operating activities	<u>113,142</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Cash payments to other funds	<u>5,182</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of capital assets	(474,112)
Proceeds from capital lease obligation	474,112
Principal payments on capital lease obligation	(98,874)
Interest paid on lease obligation	(13,462)
Net cash used by capital and related financing activities	<u>(112,336)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	5,988
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>337,407</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 343,395</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (121,748)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Interest income	432
Depreciation expense	76,071
Decrease in accounts receivable	49,074
Increase in accounts payable	110,077
Decrease in other liabilities	(764)
Net cash provided by operating activities	<u><u>\$ 113,142</u></u>

See accompanying notes to financial statements.

**CITY OF SELMA, ALABAMA**  
STATEMENT OF NET ASSETS  
FIDUCIARY FUND  
SEPTEMBER 30, 2009

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Receivables - taxes	\$ 117,060
<b>LIABILITIES</b>	
Accounts payable	<u>117,060</u>
<b>NET ASSETS</b>	
Unrestricted	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Reporting Entity***

The City of Selma (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 Statements: The statement of net assets 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 non-operating 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.

**CITY OF SELMA, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009

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**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.

**Other Funds Account** – This fund accounts for special revenue items, largely federal and state grant receipts.

**1999 Bond Fund** – This fund accounts for the resources accumulated and payments made for principal and interest on the 1999 General Obligation Bonds.

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.

All governmental and business-type activities and enterprise funds of the City follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)*

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.

*Stewardship, Compliance and Accountability*

An annual budget is adopted for the City's general fund. Under state law, the Mayor submits the annual budget to the 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 Council. All annual appropriations lapse at fiscal year-end.

*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 inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund 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 non-exchange transactions provision of 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.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Assets, Liabilities, and Equity (Continued)*

**Inventories and Prepaid Items**

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

**Capital Assets**

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

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

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 in 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.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**CITY OF SELMA, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**2. 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, 2009, none of the City's bank balance of \$10,308,768 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.

**3. RECEIVABLES**

Receivables as of September 30, 2009 for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Other Funds Account</u>	<u>1999 Bond Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Inert Landfill</u>	<u>Total</u>
Taxes	\$ 924,363	\$ -	\$ -	\$ -	\$ -	\$ 924,363
Accounts	1,331,879	-	-	18,740	37,584	1,388,203
Intergovernmental	16,253	144,625	-	213,272	-	374,150
Interest	-	-	2,626	1,493	-	4,119
Gross receivables	<u>2,272,495</u>	<u>144,625</u>	<u>2,626</u>	<u>233,505</u>	<u>37,584</u>	<u>2,690,835</u>
Less allowance for uncollectible	<u>(1,078,371)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,078,371)</u>
Net total receivables	<u>\$ 1,194,124</u>	<u>\$ 144,625</u>	<u>\$ 2,626</u>	<u>\$ 233,505</u>	<u>\$ 37,584</u>	<u>\$ 1,612,464</u>

**4. NOTE RECEIVABLE**

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

Year ending September 30:	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 70,000	\$ 42,825
2011	75,000	40,102
2012	75,000	37,177
2013	80,000	34,075
2014	80,000	30,795
2015 – 2019	465,000	98,663
2020 – 2021	<u>215,000</u>	<u>9,570</u>
Total	<u>\$ 1,060,000</u>	<u>\$ 293,207</u>

**CITY OF SELMA, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**5. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2009 was as follows:

*Primary Government*

	<u>Beginning Balance</u>	<u>Prior Period Adjustment</u>	<u>Adjusted Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>						
Capital assets, not being depreciated:						
Land	\$ 2,425,085	\$ -	\$ 2,425,085	\$ 3,100	\$ -	\$ 2,428,185
Construction in progress	<u>532,630</u>	<u>135,797</u>	<u>668,427</u>	<u>320,042</u>	<u>367,831</u>	<u>620,638</u>
Total capital assets, not being depreciated	<u>2,957,715</u>	<u>135,797</u>	<u>3,093,512</u>	<u>323,142</u>	<u>367,831</u>	<u>3,048,823</u>
Capital assets, being depreciated:						
Buildings	6,072,898	-	6,072,898	11,500	-	6,084,398
Improvements other than buildings	10,627,308	-	10,627,308	485,935	-	11,113,243
Infrastructure	38,859,924	-	38,859,924	10,220	-	38,870,144
Machinery and equipment	<u>8,540,708</u>	<u>-</u>	<u>8,540,708</u>	<u>220,288</u>	<u>-</u>	<u>8,760,996</u>
Total capital assets, being depreciated	<u>64,100,838</u>	<u>-</u>	<u>64,100,838</u>	<u>727,943</u>	<u>-</u>	<u>64,828,781</u>
Less accumulated depreciation for:						
Buildings	2,820,179	-	2,820,179	76,017	-	2,896,196
Improvements other than buildings	2,253,087	-	2,253,087	208,078	-	2,461,165
Infrastructure	25,237,682	-	25,237,682	876,853	-	26,116,535
Machinery and equipment	<u>5,674,964</u>	<u>-</u>	<u>5,674,964</u>	<u>621,200</u>	<u>-</u>	<u>6,294,164</u>
Total accumulated depreciation	<u>35,985,912</u>	<u>-</u>	<u>35,985,912</u>	<u>1,782,148</u>	<u>-</u>	<u>37,768,060</u>
Total capital assets, being depreciated, net	<u>28,114,926</u>	<u>-</u>	<u>28,114,926</u>	<u>(1,054,205)</u>	<u>-</u>	<u>27,060,721</u>
Governmental activities capital assets, net	<u>\$ 31,072,641</u>	<u>\$ 135,797</u>	<u>\$ 31,208,438</u>	<u>\$ (731,063)</u>	<u>\$ 367,831</u>	<u>\$ 30,109,544</u>

**CITY OF SELMA, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**5. CAPITAL ASSETS (Continued)**

*Primary Government (Continued)*

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 104,913	\$ -	\$ -	\$ 104,913
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, not being depreciated	<u>104,913</u>	<u>-</u>	<u>-</u>	<u>104,913</u>
Capital assets, being depreciated:				
Improvements other than buildings	14,759	-	-	14,759
Machinery and equipment	<u>1,180,410</u>	<u>474,112</u>	<u>-</u>	<u>1,654,522</u>
Total capital assets, being depreciated	<u>1,195,169</u>	<u>474,112</u>	<u>-</u>	<u>1,669,281</u>
Less accumulated depreciation for:				
Improvements other than buildings	10,330	738	-	11,068
Machinery and equipment	<u>936,328</u>	<u>75,333</u>	<u>-</u>	<u>1,011,661</u>
Total accumulated depreciation	<u>946,658</u>	<u>76,071</u>	<u>-</u>	<u>1,022,729</u>
Total capital assets, being depreciated, net	<u>248,511</u>	<u>398,041</u>	<u>-</u>	<u>646,552</u>
Business-type activities capital assets, net	<u>\$ 353,424</u>	<u>\$ 398,041</u>	<u>\$ -</u>	<u>\$ 751,465</u>

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

**Governmental Activities:**

General government	\$ 330,616
Public service	1,099,798
Public safety	289,830
Other	<u>61,904</u>

Total depreciation expense – governmental activities \$ 1,782,148

**Business-type Activities** \$ 76,071

**CITY OF SELMA, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**6. 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, 2009 is shown below:

**Due to/from other funds:**

<u>Due From:</u>	<u>Due To:</u>				<u>Total</u>
	<u>General Fund</u>	<u>Other Funds Account</u>	<u>1999 Bond Fund</u>	<u>Nonmajor Governmental Funds</u>	
General Fund	\$ -	\$ -	\$ 33,596	\$ 97,233	\$ 130,828
Other Funds Account	130,863	-	-	-	130,863
Nonmajor Governmental Funds	814,794	18,221	-	-	833,015
Inert Landfill	4,095	-	-	-	4,095
<b>Total</b>	<b>\$ 949,752</b>	<b>\$ 18,221</b>	<b>\$ 33,596</b>	<b>\$ 97,232</b>	<b>\$ 1,098,801</b>

**Interfund Transfers:**

<u>Transfer Out:</u>	<u>Transfer In:</u>			<u>Total</u>
	<u>Other Funds Account</u>	<u>1999 Bond Fund</u>	<u>Nonmajor Governmental Funds</u>	
General Fund	\$ 197,764	\$ -	\$ 657,678	\$ 855,442
Nonmajor Governmental Funds	27,175	-	218,313	245,488
<b>Total</b>	<b>\$ 224,939</b>	<b>\$ -</b>	<b>\$ 875,991</b>	<b>\$ 1,100,930</b>

**7. LONG-TERM DEBT**

Long-term debt activity for the year ended September 30, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General City bonds and warrants	\$ 8,250,000	\$ -	\$ 1,580,000	\$ 6,670,000	\$ 1,105,000
Capital leases	940,658	-	353,675	586,983	338,657
Claims and judgments	150,000	-	-	150,000	150,000
Compensated absences	248,233	231,395	248,233	231,395	231,395
Postemployment benefits other than pensions	-	345,661	114,194	231,467	114,194
	<u>\$ 9,588,891</u>	<u>\$ 577,056</u>	<u>\$ 2,296,102</u>	<u>\$ 7,869,845</u>	<u>\$ 1,939,246</u>
Business-type Activities:					
Capital lease	\$ 17,561	\$ 474,112	\$ 98,874	\$ 392,799	\$ 91,481

**CITY OF SELMA, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

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**7. LONG-TERM DEBT (Continued)**

Long-term debt payable at September 30, 2009 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:

1996 General Obligation Warrants, interest at 3.9% to 5.0%	\$ 1,955,000
1999 General Obligation Bonds, interest at 4.2% to 5.4%	1,275,000
2003 General Obligation Warrants, interest at 1.2% to 3.9%	2,380,000
2005 General Obligation Warrants, interest at 3.3% to 4.4%	<u>1,060,000</u>
 Total bonds and warrants	 <u>\$ 6,670,000</u>

The annual debt service requirements to maturity, including principal and interest, for General City bonds and warrants as of September 30, 2009, are as follows:

	<u>Principal</u>	<u>Interest</u>
Year Ending September 30:		
2010	\$ 1,105,000	\$ 282,483
2011	1,155,000	235,358
2012	1,205,000	184,372
2013	1,260,000	129,841
2014	895,000	79,764
2015-2019	835,000	118,089
2020-2021	<u>215,000</u>	<u>9,570</u>
 Total	 <u>\$ 6,670,000</u>	 <u>\$ 1,039,477</u>

**CITY OF SELMA, ALABAMA**  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2009

**7. LONG-TERM DEBT (Continued)**

*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>	<u>Business-Type Activities</u>
Machinery and equipment	\$ 1,320,255	\$ 474,112
Automobiles	<u>409,851</u>	<u>-</u>
	1,730,106	474,112
Less accumulated depreciation	<u>(1,017,654)</u>	<u>(23,706)</u>
	<u>\$ 712,452</u>	<u>\$ 450,406</u>

**Governmental Activities**

Capital lease obligation for loader dated March 15, 2005, payable in annual installments of \$98,421, final payment due April 2010	\$ 94,861
Capital lease obligation for containers and dumpsters dated June 9, 2005, payable in quarterly installments of \$27,233, final payment due July 2010	79,634
Capital lease obligation for copy machine dated December 27, 2004, payable in monthly installments of \$249, final payment due December 2010	732
Capital lease obligation for police patrol cars dated September 28, 2007, payable in annual installments of \$55,774, final payment due October 2011	102,184
Capital lease obligation for telephone system dated October 25, 2006, payable in monthly installments of \$1,361, final payment due November 2010	18,347

**CITY OF SELMA, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**7. LONG-TERM DEBT (Continued)**

*Capital Leases (Continued)*

**Governmental Activities (Continued)**

Capital lease obligation for various automobiles and equipment dated March 19, 2007, payable in monthly installments of \$6,004, final payment due July 2012	\$ 191,197
Capital lease obligation for copy machine dated November 2, 2006, payable in monthly installments of \$210, final payment due February 2010	771
Capital lease obligation for telephone equipment dated August 29, 2008, payable in monthly installments of \$1,199, final payment due February 2012	31,758
Capital lease obligation for litter vacuums dated October 2, 2007, payable in monthly installments of \$1,912, final payment due November 2012	<u>67,499</u>
Total governmental activities capital leases	<u>\$ 586,983</u>

**Business-type Activities**

Capital lease obligation for landfill compactor dated October 3, 2008, payable in monthly installments of \$8,566, final payment due October 2013	<u>\$ 392,799</u>
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The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2009, were as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Year ending September 30:		
2010	\$ 363,145	\$ 102,787
2011	167,879	102,787
2012	88,984	102,787
2013	3,825	102,787
2014	<u>-</u>	<u>8,566</u>
Total minimum lease payments	623,833	419,714
Less amount representing interest	<u>36,850</u>	<u>26,915</u>
Present value of minimum lease payments	<u>\$ 586,983</u>	<u>\$ 392,799</u>

**CITY OF SELMA, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009

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**7. LONG-TERM DEBT (Continued)**

*Operating Leases*

The City is obligated under operating lease agreements for copiers through December 31, 2011. The future minimum lease payments under these lease agreements are:

Year ending September 30:	
2010	\$ 11,063
2011	5,855
2012	<u>4,212</u>
Present value of minimum lease payments	<u>\$ 21,130</u>

Total rental expense for the above mentioned lease is \$13,061 for the year ended September 30, 2009.

*Other Long-Term Debt*

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

**8. EMPLOYEES' RETIREMENT PLAN**

*Employee Pension Plan*

The City has a defined contribution benefit pension plan covering substantially all employees. The pension plan is funded as required by applicable statutes, ordinances, or as a percentage of eligible salaries and/or based upon actuarial valuations. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. The plan is an agent multiple-employer retirement plan. The agent for the plan is the Employees' Retirement System of Alabama.

*Plan Description*

The Employees' Retirement System of Alabama (ERS) is an agent multiple-employer public employee retirement system. The ERS was established on October 1, 1945, under the provisions of Act 515, Acts of Alabama 1945, for the purpose of providing retirement allowances and other specified benefits for state employees, state police, and, on an elective basis, all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operations of the ERS is vested in the ERS Board of Control. Authority to amend the plan rests with the Legislature of Alabama.

**8. EMPLOYEES' RETIREMENT PLAN (Continued)**

*Plan Description (Continued)*

Substantially all employees are members of the ERS. Membership is mandatory for covered or eligible employees of the City of Selma. The ERS provides retirement benefits as well as death and disability benefits as established by state law. The retirement benefits are established by Title 36, Chapter 27 of Alabama State Law and must be amended by statute. Benefits vest after 10 years of creditable service. Vested employees may retire with full benefits at age 60 or after 25 years of service, regardless of age (30 years of service for those units that have not elected 25 years retirement). Retirement benefits are calculated by two methods with the retiree receiving payment under the method that yields the highest monthly benefit. The two methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under the formula method, upon service retirement, a member receives a retirement allowance equal to 2.0125% of the member's average final compensation (best three of last ten years) multiplied by the number of years of creditable service. At retirement, a member receives one additional year of creditable service in determining the retirement allowance for each five years of service as a full-time certified firefighter, police officer, or correctional officer. Disability benefits are calculated in the same manner as regular retirement benefits. A pre-retirement death benefit in the amount of the annual salary for the fiscal year preceding death is provided to plan members.

The Retirement System of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Employees' Retirement System of Alabama. That report may be obtained by writing to The Retirement System of Alabama, 135 South Union Street Montgomery, Alabama 36130-2150.

*Contributions Required and Contributions Made*

The actuary has computed, as of the date of the latest actuarial valuation (September 30, 2008), the estimated present value of benefits payable to retired members, beneficiaries, and active members. The actuarial valuation is prepared using the entry age method. The present value of all expected benefits payable to the present group of members and beneficiaries is calculated by adding the present value of the expected benefits payable to the active members to the present value of the expected future payments to retired members and beneficiaries.

As required by statute, the ERS funding policy provides for employer contributions at actuarially determined rates, expressed as a percent of annual covered payroll, in amounts sufficient to accumulate assets to pay benefits when due. The employer contributions required to support the benefits of each system are determined following a level funding approach and consist of a normal contribution, an accrued liability contribution, a pre-retirement death benefit contribution, and a portion to finance administrative costs.

The required contribution rate is 5% for regular members and 6% for certified law enforcement, correctional officers, and firefighters. For the fiscal year ended September 30, 2008, the required employer contribution rate was 10.18% of annual covered compensation.

**CITY OF SELMA, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**8. EMPLOYEES' RETIREMENT PLAN (Continued)**

*Annual Pension Cost*

**1. Current-Year Contribution Information**

For the year ended September 30, 2009, the City's annual pension cost contributed by employees was \$421,826 and the City contributed \$724,009, or a total of \$1,145,834. Contributions were made in accordance with actuarially determined contribution requirements through an actuarial valuation performed at September 30, 2008.

**2. Actuarial Assumptions and Methods**

Valuation date	September 30, 2008
Actuarial cost method	Entry Age
Asset valuation method	5-Year Smoothed Market
Amortization method	Level Percent Open
Remaining amortization period	20 years
Period closed/open	Open
Actuarial assumptions:	
Investment rate of return	8%*
Projected salary increases	4.61% - 7.75%*
Cost of living increases	None

\*Includes inflation at 4.5%.

In accordance with Governmental Accounting Standards Board Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, a pension liability of \$0 was calculated at the transition date. Trend information for the most current valuation year and the two preceding years is as follows:

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
9/30/2006	\$ 574,728	100.0%	\$ -
9/30/2007	665,491	100.0	-
9/30/2008	725,680	100.0	-

**CITY OF SELMA, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**8. EMPLOYEES' RETIREMENT PLAN (Continued)**

*Annual Pension Cost (Continued)*

**2. Actuarial Assumptions and Methods (Continued)**

The plan's schedule of funding progress for the most current valuation year and the two preceding years is as follows:

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Entry Age Actuarial Accrued Liability</u>	<u>(b - a) Unfunded Accrued Liability (UAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Annual Covered Payroll</u>	<u>(b - a)/c UAL as a Percentage of Payroll</u>
9/30/06**	\$ 26,592,837	\$ 31,820,475	\$ 5,227,638	83.6%	\$ 8,282,361	63.1%
9/30/07	26,988,355	32,372,847	5,384,492	83.4	8,532,424	63.1
9/30/08	26,494,720	34,002,156	7,507,436	77.9	9,152,651	82.0

\*\* Reflects changes in actuarial assumptions.

**9. RESERVED FUND BALANCE**

The City has established certain reservations of fund equity to indicate the portion of fund balance that is not appropriate for expenditures or is legally segregated for a specific future use.

Reserved Fund Balance	
General Fund:	
Prepaid expenses	\$ 13,535
Notes receivable	<u>1,060,000</u>
Total Reserved Fund Balance	<u>\$ 1,073,535</u>

**10. RISK MANAGEMENT**

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

**CITY OF SELMA, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

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**11. 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.

**12. PRIOR PERIOD ADJUSTMENTS**

Fund balance and net assets at the beginning of 2009 have been adjusted for the following errors relating to the prior period.

	<u>Fund Financial Statements</u>	<u>Government-Wide Financial Statements</u>
	<u>Fund Balance</u>	<u>Net Assets</u>
Understatement of prior year payable	\$ 124,974	\$ 124,974
Understatement of prior year capital assets	-	(135,796)
	<u>\$ 124,974</u>	<u>\$ 10,822</u>

**13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

***Plan Description***

The City of Selma 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, 2009, the plan had approximately 268 active participants and 67 retired members and beneficiaries.

**CITY OF SELMA, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

**13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

*Funding Policy*

The employer contributes the \$269 for active participants and requires monthly contributions of \$202 to \$410 from active participants who maintain family coverage. 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	\$ 134.50
Retiree over 65	58.00

Total member contributions were \$194,816 for active participants and \$71,821 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.

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	\$ 345,661
Contributions made	<u>(114,194)</u>
Increase in net OPEB obligation	231,467
Net OPEB obligation – beginning of year	<u>-</u>
Net OPEB obligation – end of year	<u>\$ 231,467</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 2009 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>
9/30/2007	*	*	*
9/30/2008	*	*	*
9/30/2009	\$ 345,661	33%	\$ 231,467

\* Information not available.

**13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

*Funded Status and Funding Progress*

As of October 1, 2008, the actuarial accrued liability for benefits was \$3,297,967 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$9,152,651, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 36% percent.

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.

*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.

**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%.

**13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

*Methods and Assumptions (Continued)*

*Healthcare cost trend rate* – The expected rate of increase in medical cost is based on projections performed by the Office of the Actuary at the Centers for Medicare & Medicaid Services as published in National Health Care Expenditures Projections: 2003 to 2013, Table 3: National Health Expenditures, Aggregate and per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1990-2013, released in January, 2004 by the Health Care Financing Administration ([www.cms.hhs.gov](http://www.cms.hhs.gov)). "State and Local" rates for 2008 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 5.0% for 2016 and later.

*Health insurance premiums* – 2009 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. The remaining amortization period at September 30, 2009, was 29 years.

**14. 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 Statement Number 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting for intangible assets including recognition, initial measurement and amortization. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009.

GASB Statement Number 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009.

GASB Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010.

**CITY OF SELMA, ALABAMA**  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2009

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**14. EFFECT OF NEW PRONOUNCEMENTS (Continued)**

GASB Statement Number 57, *OPEB Measurement by Agent Employers and Agent Multi-Employer Plans*. This statement is intended to improve consistency in the measurement and financial reporting of other post-employment benefits (OPEB) such as retiree health insurance. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2011.

GASB Statement Number 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcy*. This statement is intended to improve consistency in the measurement and financial reporting of municipal bankruptcy. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009.

**15. SUBSEQUENT EVENTS**

On October 27, 2009, the citizens of Selma approved general obligation bonds totaling \$12,000,000. The proceeds of these bonds will fund capital projects for the Police Department, Public Works, Recreation, Public Buildings, Fire Department and Amphitheatre. Principal and interest payments will begin February 2010, with final maturity in 2023.

## **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, 2009

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 13,438,019	\$ 12,972,488	\$ 12,754,861	\$ (217,627)
Licenses and permits	2,673,195	2,556,235	2,707,713	151,478
Intergovernmental revenues	159,773	160,000	312,752	152,752
Charges for services	813,919	830,000	829,158	(842)
Other revenues	489,613	452,277	525,601	73,324
Interest on investments	126,866	40,000	5,113	(34,887)
Total revenues	<u>17,701,385</u>	<u>17,011,000</u>	<u>17,135,198</u>	<u>124,198</u>
<b>EXPENDITURES</b>				
Current operations:				
General government	5,281,819	5,010,719	5,181,543	(170,824)
Public safety	7,503,919	7,203,577	7,271,212	(67,635)
Public service	2,537,161	2,335,536	2,076,902	258,634
Other	1,501,175	1,642,867	1,617,506	25,361
Debt service:				
Principal retirement	580,301	547,931	404,319	143,612
Interest charges	-	-	82,860	(82,860)
Total expenditures	<u>17,404,375</u>	<u>16,740,630</u>	<u>16,634,342</u>	<u>106,288</u>
Excess of revenues over expenditures	<u>297,010</u>	<u>270,370</u>	<u>500,856</u>	<u>230,486</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(272,860)</u>	<u>(266,895)</u>	<u>(855,442)</u>	<u>(588,547)</u>
Total other financing sources (uses)	<u>(272,860)</u>	<u>(266,895)</u>	<u>(855,442)</u>	<u>(588,547)</u>
Net change in fund balance	<u>24,150</u>	<u>3,475</u>	<u>(354,586)</u>	<u>(358,061)</u>
<b>FUND BALANCES - BEGINNING (AS ORIGINALLY REPORTED)</b>				
	4,031,080	4,031,080	4,031,080	-
Prior period adjustments	-	-	(124,974)	(124,974)
<b>FUND BALANCES - BEGINNING (AS RESTATED)</b>				
	<u>4,031,080</u>	<u>4,031,080</u>	<u>3,906,106</u>	<u>(124,974)</u>
<b>FUND BALANCES - ENDING</b>				
	<u>\$ 4,055,230</u>	<u>\$ 4,034,555</u>	<u>\$ 3,551,520</u>	<u>\$ (483,035)</u>

See accompanying notes.

**CITY OF SELMA, ALABAMA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2009**

	Special Revenue										
	State Lodging Tax	Revolving Loan Fund	Alabama Trust Fund	SPD Sundry Account	Summer Food Program	Americorp Digital Divide	St. James Hotel Project	Planning and Development	Weed and Seed	Community Reinvestment	Brownsfield Grant
<b>ASSETS</b>											
Cash and cash equivalents	\$ 234,910	\$ 50,160	\$ 417,145	\$ 979	\$ -	\$ 212,442	\$ 14,742	\$ 29,389	\$ 13,402	\$ 118,576	\$ 32,758
Restricted cash	-	-	-	-	-	-	-	-	-	-	-
Receivables - other	-	-	-	-	-	-	-	-	-	-	-
Receivables - intergovernmental	-	-	-	-	-	75,926	-	7,500	-	-	56,078
Due from other funds	49,578	-	-	-	36,095	-	-	-	-	8,179	-
<b>TOTAL ASSETS</b>	<b>\$ 284,488</b>	<b>\$ 50,160</b>	<b>\$ 417,145</b>	<b>\$ 979</b>	<b>\$ 36,095</b>	<b>\$ 288,368</b>	<b>\$ 14,742</b>	<b>\$ 36,889</b>	<b>\$ 13,402</b>	<b>\$ 126,755</b>	<b>\$ 88,836</b>
<b>LIABILITIES</b>											
Accounts payable	\$ 33,557	\$ -	\$ 1,460	\$ -	\$ -	\$ 1,650	\$ -	\$ -	\$ -	\$ -	\$ 19,180
Other current liabilities	-	-	-	-	-	12,131	-	-	-	-	-
Due to other funds	-	-	9,642	-	-	282,723	134	18,221	14,197	-	49,281
<b>TOTAL LIABILITIES</b>	<b>\$ 33,557</b>	<b>\$ -</b>	<b>\$ 11,102</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 296,504</b>	<b>\$ 134</b>	<b>\$ 18,221</b>	<b>\$ 14,197</b>	<b>\$ -</b>	<b>\$ 68,461</b>
<b>FUND BALANCES</b>											
Unreserved:											
Undesignated	250,931	50,160	-	979	36,095	(8,136)	14,608	18,668	(795)	126,755	20,375
Designated for capital projects	-	-	406,043	-	-	-	-	-	-	-	-
Designated for debt service	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>\$ 250,931</b>	<b>\$ 50,160</b>	<b>\$ 406,043</b>	<b>\$ 979</b>	<b>\$ 36,095</b>	<b>\$ (8,136)</b>	<b>\$ 14,608</b>	<b>\$ 18,668</b>	<b>\$ (795)</b>	<b>\$ 126,755</b>	<b>\$ 20,375</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 284,488</b>	<b>\$ 50,160</b>	<b>\$ 417,145</b>	<b>\$ 979</b>	<b>\$ 36,095</b>	<b>\$ 288,368</b>	<b>\$ 14,742</b>	<b>\$ 36,889</b>	<b>\$ 13,402</b>	<b>\$ 126,755</b>	<b>\$ 88,836</b>

See accompanying notes.

**CITY OF SELMA, ALABAMA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2009**

	Special Revenue										Debt Service			Capital Projects			Total Nonmajor Governmental Funds
	U&C FHI	Firefighter Grant	Selma		Good Samaritan	Municipal Aid	1996 Refunding Warrants	Public Building Authority	2003 Warrant Debt Service	1999 Bond Capital Project	Major Project	1999					
			Dallas Prevention	Dallas Prevention								Bond	Capital Project				
<b>ASSETS</b>																	
Cash and cash equivalents	\$ -	\$ 73,822	\$ -	\$ 153	\$ -	\$ 1,321,739	\$ -	\$ -	\$ -	\$ -	\$ 18,873	\$ -	\$ -	\$ -	\$ 18,873	\$ -	\$ 2,546,075
Restricted cash	-	-	-	-	-	-	142,023	30,028	4,140	43,724	-	-	-	-	-	-	219,915
Receivables - other	-	-	-	18,740	-	1,493	-	-	-	-	-	-	-	-	-	-	20,233
Receivables - intergovernmental	-	14,130	-	-	-	-	-	-	-	-	-	-	-	-	-	-	213,272
Due from other funds	400	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	97,232
<b>TOTAL ASSETS</b>	<b>\$ 400</b>	<b>\$ 87,952</b>	<b>\$ 59,638</b>	<b>\$ 18,893</b>	<b>\$ 1,323,232</b>	<b>\$ 142,023</b>	<b>\$ 30,028</b>	<b>\$ 4,140</b>	<b>\$ 43,724</b>	<b>\$ 18,873</b>	<b>\$ 43,724</b>	<b>\$ 18,873</b>	<b>\$ 3,096,727</b>				
<b>LIABILITIES</b>																	
Accounts payable	\$ -	\$ 9,987	\$ 10,429	\$ -	\$ 10,419	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,682				
Other current liabilities	-	-	-	-	-	-	-	-	-	-	-	-	29,928				
Due to other funds	-	77,912	4,138	26,444	217,874	96,824	-	-	-	35,625	-	-	833,015				
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>87,899</b>	<b>14,567</b>	<b>26,444</b>	<b>228,293</b>	<b>96,824</b>	<b>-</b>	<b>-</b>	<b>35,625</b>	<b>-</b>	<b>35,625</b>	<b>-</b>	<b>949,625</b>				
<b>FUND BALANCES</b>																	
Unreserved:																	
Undesignated	400	53	45,071	(7,551)	-	-	-	-	-	-	-	-	539,781				
Designated for capital projects	-	-	-	-	1,094,939	-	-	-	-	8,099	-	18,873	1,527,954				
Designated for debt service	-	-	-	-	-	45,199	30,028	4,140	-	-	-	-	79,367				
<b>TOTAL FUND BALANCES</b>	<b>400</b>	<b>53</b>	<b>45,071</b>	<b>(7,551)</b>	<b>1,094,939</b>	<b>45,199</b>	<b>30,028</b>	<b>4,140</b>	<b>-</b>	<b>8,099</b>	<b>-</b>	<b>18,873</b>	<b>2,147,102</b>				
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 400</b>	<b>\$ 87,952</b>	<b>\$ 59,638</b>	<b>\$ 18,893</b>	<b>\$ 1,323,232</b>	<b>\$ 142,023</b>	<b>\$ 30,028</b>	<b>\$ 4,140</b>	<b>\$ 43,724</b>	<b>\$ 18,873</b>	<b>\$ 43,724</b>	<b>\$ 18,873</b>	<b>\$ 3,096,727</b>				

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, 2009**

	Special Revenue											
	State Lodging Tax	Revolving Loan Fund	Drug Enforcement Unit	Alabama Trust Fund	SPD Sundry Account	Summer Food Program	Americorp Digital Divide	St. James Hotel Project	Planning and Development	Weed and Seed	Community Reinvestment	Brownsfield Grant
REVENUES	\$ 299,391	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes												
Licenses and permits	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental	13,901	-	-	250,269	-	163,380	296,615	-	7,500	-	-	83,335
Other revenues	317	206	11	437	979	-	-	-	-	-	-	-
Interest on investments	-	-	-	-	-	-	-	16	48	-	496	-
Total revenues	313,609	206	11	250,706	979	163,380	296,615	16	7,548	-	496	83,335
EXPENDITURES												
Current operations:												
General government	298,459	47,039	-	87,244	-	146,852	395,633	431	-	-	4,604	78,645
Public safety	-	-	621	-	-	-	-	-	-	78	-	-
Debt service:												
Principal retirement	-	-	-	-	-	-	-	-	-	-	-	-
Interest charges	-	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	298,459	47,039	621	87,244	-	146,852	395,633	431	-	-	4,604	78,645
Excess of revenues over (under) expenditures	15,150	(46,833)	(610)	163,462	979	16,528	(99,018)	(415)	7,548	(78)	(4,108)	4,690
OTHER FINANCING SOURCES (USES)												
Transfers in	-	-	-	-	-	-	95,632	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-	-	(27,175)	-
Total other financing sources (uses)	-	-	-	-	-	-	95,632	-	-	-	(27,175)	-
Net change in fund balances	15,150	(46,833)	(610)	163,462	979	16,528	(3,386)	(415)	7,548	(78)	(31,283)	4,690
FUND BALANCES - BEGINNING	235,781	96,993	(7,222)	242,581	-	19,567	(4,750)	15,023	11,120	(717)	158,038	15,685
FUND BALANCES - ENDING	250,931	50,160	(7,832)	406,043	979	36,095	(8,136)	14,608	18,668	(795)	126,755	20,375

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, 2009**

	Special Revenue					Debt Service			Capital Projects			Total Nonmajor Governmental Funds
	U&C FHI	Firefighter Grant	Selma Dallas Prevention	Good Samaritan	Municipal Aid	1996 Refunding Bonds	Public Building Authority	2003 Warrant Debt Service	1999 Bond Capital Project	Major Project		
<b>REVENUES</b>												
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 220,773	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 520,164
Licenses and permits	-	-	-	-	23,717	-	-	-	-	-	-	23,717
Intergovernmental	-	109,678	70,694	-	-	233,826	-	-	-	-	5,000	1,220,297
Other revenues	400	-	-	1,050	-	-	-	-	-	-	-	16,330
Interest on investments	-	-	-	-	12,802	669	-	107	-	-	-	16,689
Total revenues	400	109,678	70,694	1,050	257,292	234,495	1,560	107	20	-	5,000	1,797,197
<b>EXPENDITURES</b>												
Current operations:												
General government	-	-	48,382	10,465	86,183	30	-	60	-	-	316	1,204,343
Public safety	-	125,406	-	-	-	-	-	-	-	-	-	126,105
Debt service:												
Principal retirement	-	-	-	-	19,356	270,000	515,000	500,000	-	-	-	1,304,356
Interest charges	-	-	-	-	3,591	118,060	34,572	95,820	-	-	-	252,043
Total expenditures	-	125,406	48,382	10,465	109,130	388,090	549,572	595,880	-	-	316	2,886,847
Excess of revenues over (under) expenditures	400	(15,728)	22,312	(9,415)	148,162	(153,595)	(548,012)	(595,773)	20	4,684	-	(1,089,650)
<b>OTHER FINANCING SOURCES (USES)</b>												
Transfers in	-	15,728	-	-	-	165,274	-	599,357	-	-	-	875,991
Transfers out	-	-	-	-	(218,313)	-	-	-	-	-	-	(245,488)
Total other financing sources (uses)	-	15,728	-	-	(218,313)	165,274	-	599,357	-	-	-	630,503
Net change in fund balances	400	-	22,312	(9,415)	(70,151)	11,679	(548,012)	3,584	20	4,684	-	(459,147)
<b>FUND BALANCES - BEGINNING</b>	-	53	22,759	1,864	1,165,090	33,520	578,040	556	8,079	14,189	-	2,606,249
<b>FUND BALANCES - ENDING</b>	400	53	45,071	(7,551)	1,094,939	45,199	30,028	4,140	8,099	18,873	4,684	2,147,102

See accompanying notes.

**CITY OF SELMA, ALABAMA**  
COMPUTATION OF LEGAL DEBT MARGIN  
SEPTEMBER 30, 2009

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Assessed Value		<u>\$ 130,987,980</u>
Legal Debt Margin		
Debt Limitation - 20 Percent of Assessed Value		26,197,596
Debt Applicable to Limitation:		
Long-term Bonded Debt Including Capital Leases	\$ 7,649,782	
Less: Debt attributable to the construction of schoolhouses	(1,060,000)	
Less: Amount Available for Repayment of General Obligation Debt	<u>(4,851,723)</u>	
Total Debt Applicable to Limitation		<u>1,738,059</u>
Legal Debt Margin		<u>\$ 24,459,537</u>

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, 2009**

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to Government (a)</u>	<u>Amount Applicable to Government</u>
<b>Direct</b>			
City of Selma:			
General obligations including capital leases	\$ 7,649,782 (a)	100.00%	\$ 7,649,782
<b>Overlapping</b>			
Dallas County:			
General obligations including capital leases	<u>13,010,660</u>	34.90%	<u>4,540,720</u>
Total	<u>\$ 20,660,442</u>		<u>\$ 12,190,502</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.