

CITY OF SELMA, ALABAMA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2007

CITY OF SELMA, ALABAMA
SEPTEMBER 30, 2007

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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, 2007, 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, 2007, 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 3, 2008, 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 38, is not a required part of the basis financial statements but are supplementary information required by accounting principles 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, Baranca, Blankenship & Bellingaly, P.C.

March 3, 2008

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, 2007

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, 2007. 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, 2007, the City's net assets (assets minus liabilities) totaled \$33,081,174, an increase of \$6,597,900 over the September 30, 2006 figure. Approximately \$4,930,772 of this increase is a result of the City completing their implementation of GASB Statement No. 34 with the retroactive capitalization of infrastructure.
- Total net assets for governmental activities are comprised of the following:
 - (1) Capital assets net of related debt of \$22,675,421, 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 \$5,818,685 are restricted by constraints imposed from outside the City such as debt covenants, laws and regulations.
 - (3) Unrestricted net assets of \$3,868,481 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- Total net assets for governmental activities increased by \$6,531,416, thus bringing the total to \$32,362,587 for fiscal year 2007. As noted above, approximately \$4,930,772 of this increase is a result of the City completing their implementation of GASB Statement No. 34 with the retroactive capitalization of infrastructure.
- Total net assets for business-type activities increased by \$66,484, thus bringing the total up to \$718,587 for fiscal year 2007.
- Fund balances (a measure of current financial resources) in governmental funds increased by \$663,794 to a total of \$11,088,267. Of this amount \$1,221,443 is reserved and is not appropriable for expenditures or is legally segregated for a specific future use. The remaining \$9,866,824 is unreserved, of which \$4,965,654 is designated for debt service and capital projects. The remaining \$4,901,170 is undesignated and is available for future programs.

- The general fund undesignated fund balance, as of September 30, 2007, was \$4,048,746, or 22.6% of total general fund expenditures.
- The City's total bond and capital lease debt decreased by \$792,851 (7%) during the current fiscal year. There were no new bond or warrant commitments during this fiscal year. The 1994 General Obligation Refunding Warrant was paid off in February 2007.
- The City entered into capital lease agreements this year for patrol cars, departmental vehicles, heavy duty equipment, copy machine and an upgraded telephone system for City Hall and the Public Safety building.

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 like 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 \$33,081,174 as of September 30, 2007. The following table reflects the condensed Government-Wide Statement of Net Assets:

**Statement of Net Assets
As of September 30
(In Thousands)**

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 12,006	\$ 11,680	\$ 352	\$ 294	\$ 12,358	\$ 11,974
Capital assets	31,954	26,836	412	458	32,366	27,294
Total Assets	43,960	38,516	764	752	44,724	39,268
Current and other liabilities	887	1,459	11	25	898	1,484
Long-term liabilities	10,710	11,226	35	75	10,745	11,301
Total Liabilities	11,597	12,685	46	100	11,643	12,785
Net assets:						
Invested in capital assets, net of related debt	22,675	16,870	377	383	23,052	17,253
Restricted	5,819	5,310	-	-	5,819	5,310
Unrestricted	3,869	3,651	341	269	4,210	3,920
Total Net Assets	\$ 32,363	\$ 25,831	\$ 718	\$ 652	\$ 33,081	\$ 26,483

The City's total assets were \$44,723,987 as of September 30, 2007. Of this amount, \$32,365,343 is accounted for by capital assets, which includes infrastructure. Historically, infrastructure (roads, bridges, right-of-ways, traffic lights, underground sewer pipes, etc.) and all other capital assets have not been included in the governmental financial statements until the implementation of Governmental Accounting Standards Board (GASB) Statement 34 in fiscal year 2003. The City elected to depreciate these assets over their useful life. GASB Statement 34 requires that these assets be valued and reported within the Governmental column of the Government-wide Statement.

During fiscal year 2007, the City completed their implementation of GASB Statement No. 34 with the retroactive capitalization of infrastructure. The City engaged an independent consultant to assist in the inventory of the City's infrastructure. Net assets at October 1, 2006 were restated to reflect the capitalization of infrastructure in the amount of \$18,540,963, less accumulated depreciation of \$13,610,191. This adjustment resulted in an increase of net assets at October 1, 2006 in the amount of \$4,930,772 to a total of \$30,761,943.

Of the remaining City assets, \$9,164,476 is accounted for in cash and cash equivalents, \$1,858,135 in accounts receivable, \$1,195,000 in notes receivable, and the remainder spread among miscellaneous assets.

At September 30, 2007, the City had outstanding liabilities of \$11,642,813, of which \$10,744,522 was long-term debt. Long-term debt includes bonds and warrants payable and capital lease obligations. Of the total amount outstanding approximately \$1,661,517 was due within one year, with the remainder due at various dates before 2021.

Included in other liabilities in the above table are \$814,606 in accounts payable and other current liabilities and \$83,685 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 \$5,818,685 or 17.6% of total net assets. The remaining \$4,209,663 or 12.7% 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:

	Changes in Net Assets As of September 30 (In Thousands)					
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues						
Charges for services	\$ 4,175	\$ 4,310	\$ 305	\$ 275	\$ 4,480	\$ 4,585
Operating grants and contributions	886	551	-	-	886	551
Capital grants and contributions	733	-	-	-	733	-
General revenues						
Property taxes	2,307	2,350	-	-	2,307	2,350
Sales and use taxes	10,915	11,305	-	-	10,915	11,305
Lodging taxes	334	330	-	-	334	330
Other taxes	1,408	1,350	-	-	1,408	1,350
Investment earnings	364	281	3	2	367	283
Other	410	610	-	-	410	610
Total revenues	21,532	21,087	308	277	21,840	21,364
Expenses						
General government	6,670	6,241	-	-	6,670	6,241
Public safety	7,544	7,477	-	-	7,544	7,477
Public service	3,544	3,307	-	-	3,544	3,307
Other	1,712	1,529	-	-	1,712	1,529
Interest on long-term debt	506	555	-	-	506	555
Inert Landfill	-	-	241	318	241	318
Total expenses	19,976	19,109	241	318	20,217	19,427
Increase (decrease) in net assets	1,556	1,978	67	(41)	1,623	1,937
Net assets - beginning as originally reported	30,762	28,826	652	693	31,414	29,519
Prior period adjustment	45	(42)	-	-	45	(42)
Net assets - as restated	30,807	28,784	652	693	31,459	29,477
Net assets - ending	\$ 32,363	\$ 30,762	\$ 719	\$ 652	\$ 33,082	\$ 31,414

Total revenues for the City were \$21,838,497 for the year ended September 30, 2007. Governmental activities provided \$21,531,279 or 98.6%, while \$307,218 of business-type activities revenue was provided by charges for services and interest income. The governmental activities received \$10,915,171, or 50.7% of total revenue, from sales taxes and \$2,627,135, or 12.1% of total revenue, from business licenses and permits.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Fund balances increased by \$663,794 in the current year. Of this amount, \$44,180 of this increase was a result of a prior period adjustment. The remaining \$618,984 was the result from current operations with the general fund contributing \$59,543 of the total excess. The 1999 Bond Fund increased by \$717,443 while other governmental funds balance decreased by \$129,441. 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 funds 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 \$17,938,562 which was a decrease of \$217,538 or 1.2% under final budgeted revenues. Original budgeted revenues for 2007 were \$17,850,000 which was increased throughout the year to \$18,156,100. These budget amendments were necessary due to the expectation that actual revenue collections would exceed initial projections. In addition, the City anticipated the completion of a project on Water Avenue in 2007. This project was funded by a reimbursable grant totaling \$301,000, of which \$140,272 was expended and reimbursed in 2007.

Total general fund expenditures were \$17,932,306, which was a decrease of \$220,558 or 1.2% under final budgeted expenditures. The original budgeted expenditures for 2007 were \$17,746,326 which was increased throughout the year to \$18,152,864. The amendments which contributed to the majority of this increase are as follows:

- Riverfront Project (Building Purchase) \$301,000
- Utility bills for Selma/Dallas Library \$17,473
- Comprehensive Infrastructure Evaluation \$16,150

General government expenditures were less than budgeted expenditures by \$276,709. The primary reasons for this variance are as follows:

- A reimbursable grant from ALDOT for purchase of real property was budgeted for \$301,100. This fiscal year only \$140,272 was spent. The balance will be expended in fiscal year 2008.

- Approximately \$141,000 from the Planning and Development's line item for grant matching funds was reclassified to other financing sources.

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 2007, the City completed the construction of Rutledge Park and a skate park located at memorial stadium. The City's communication system also got a much needed upgrade with the installation of a telephone system. This system was installed throughout City Hall, the Wilson Building and the Public Safety Building. In addition, the City acquired riverfront property on Water Avenue through a grant from ALDOT.

During 2007 the City made principal payments totaling \$1,040,000 on all bonds and warrant debts. This includes the payoff of \$320,000 for the 1994 G.O. Refunding Bond. No additional long-term debt obligations were made.

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 the second oldest incorporated city in the State of Alabama, with an incorporation date of December 4, 1820. At the time of incorporation, the population of Selma was recorded as 6,003. Fifty years later in 1870, the population of Selma was 40,714, with 79% African American and 21% Caucasian. From Selma's inception, it has experienced periods of prosperity and recession. From "Civil War to Civil Rights and Beyond," is more than a slogan, it is a reflection of Selma's history and commitment to change and growth.

The current population of the City, as identified by the 2000 U.S. Census, is 20,512. That population reflects a decrease from the 1990 census counts. However, the current population trend reflects a moderate increase in the City population for the 2010 census. This population increase is a turn from the cycle of population decline beginning in the mid 1960's. During the past eight years, the City has taken steps to reduce the trend of population loss and to increase the probability of population growth. This population growth and sustainability strategy includes investments in public infrastructure, nurturing the economic development environment and creating a viable quality of community. To maximize the efforts for growth and development the City has commissioned the creation of a "comprehensive city development plan." This plan will chart the growth development priorities and actions for the City resulting in ongoing economic prosperity, increase wages, increase quality of communities, and increase community attachment. The primary focus of the City is reflective in the preliminary City Development Plans and is as follows:

- **Downtown Redevelopment:** The purpose of the downtown redevelopment plan is to rehabilitate the traditional downtown district and reclaim it as the center and heart of the City.

- **Riverfront Development:** The City, like most urban cities and towns is taking steps to rediscover its riverfront. Through rediscovery efforts, the city has learned that its riverfront has historically been and can return to a valuable economic and community asset. The City is therefore taking steps to promote and implement riverfront development along the banks of the Alabama River. Riverfront development will embrace the ecosystems of the area while also creating a family friendly environment.
- **Retail Development:** Limited retail is a critical issue for inner cities across the country. To address this issue, the City must develop strategies to dispel the misconceptions about the potential retail market in Selma. A major priority of the City is to rehabilitate its historic buildings, making them attractive for downtown retail development. The City also plans to market its major corridors as retail venues that are prime for retail development.

To institutionalize the City's priorities for economic development and increase quality of life, the City must develop systems to strengthen the following areas:

- **Infrastructure:** The City of Selma is a historic city with infrastructures dating back to the early 1800's. The City of Selma must update and modernize its infrastructure enabling it to handle the increase in population and industrial usage.
- **Code Enforcement:** The City must develop a system for the implementation of its code enforcement ordinances. This system should include education, community attachment, and accountability.

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.

CITY OF SELMA, ALABAMA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2007

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 8,876,939	\$ 287,537	\$ 9,164,476
Receivables, net	1,793,349	64,786	1,858,135
Prepaid expenses	26,443	-	26,443
Notes receivable	1,195,000	-	1,195,000
Deferred debt expense, net	114,590	-	114,590
Capital assets not being depreciated:			
Land	2,425,085	104,913	2,529,998
Construction in progress	-	6,201	6,201
Capital assets net of accumulated depreciation:			
Buildings	3,328,572	-	3,328,572
Improvements	8,533,706	5,167	8,538,873
Infrastructure	14,509,212	-	14,509,212
Machinery and equipment	3,156,777	295,710	3,452,487
TOTAL ASSETS	<u>\$ 43,959,673</u>	<u>\$ 764,314</u>	<u>\$ 44,723,987</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable	\$ 538,025	\$ 10,586	\$ 548,611
Accrued interest payable	83,685	-	83,685
Other current liabilities	265,439	556	265,995
Noncurrent liabilities:			
Due within one year:			
Compensated absences	237,007	-	237,007
Long-term debt	1,407,486	17,024	1,424,510
Due in more than one year:			
Long-term debt	9,065,444	17,561	9,083,005
TOTAL LIABILITIES	<u>11,597,086</u>	<u>45,727</u>	<u>11,642,813</u>
NET ASSETS			
Investment in capital assets, net of related debt	22,675,421	377,405	23,052,826
Restricted for:			
General government	91,173	-	91,173
Economic development	200,511	-	200,511
Community development	354,035	-	354,035
Capital projects	1,513,413	-	1,513,413
Debt service	3,659,553	-	3,659,553
Unrestricted	3,868,481	341,182	4,209,663
TOTAL NET ASSETS	<u>32,362,587</u>	<u>718,587</u>	<u>33,081,174</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 43,959,673</u>	<u>\$ 764,314</u>	<u>\$ 44,723,987</u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental activities:				
General government	\$ 6,670,143	\$ 2,866,201	\$ 863,564	\$ -
Public safety	7,544,238	285,016	21,929	-
Public service	3,543,515	829,242	-	632,332
Other	1,712,006	194,314	-	100,400
Interest and fiscal charges on long-term debt	505,543	-	-	-
Total governmental activities	<u>19,975,445</u>	<u>4,174,773</u>	<u>885,493</u>	<u>732,732</u>
Business-type activities:				
Inert landfill	<u>240,734</u>	<u>304,454</u>	<u>-</u>	<u>-</u>
 Total primary government	 <u>\$ 20,216,179</u>	 <u>\$ 4,479,227</u>	 <u>\$ 885,493</u>	 <u>\$ 732,732</u>

General Revenues
 Property taxes
 Sales taxes
 Lodging taxes
 Motor fuel taxes
 Alcoholic beverage taxes
 Tobacco taxes
 Investment earnings
 Miscellaneous revenue
 Total general revenues and transfers
 Change in net assets
 Net assets - beginning as originally reported
 Prior period adjustment
 Net assets - beginning as restated
 Net assets - ending

FINANCIAL STATEMENTS

**Net (Expense) Revenue and
Changes in Net Assets**

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (2,940,378)	\$ -	\$ (2,940,378)
(7,237,293)	-	(7,237,293)
(2,081,941)	-	(2,081,941)
(1,417,292)	-	(1,417,292)
(505,543)	-	(505,543)
<u>(14,182,447)</u>	<u>-</u>	<u>(14,182,447)</u>
-	63,720	63,720
<u>(14,182,447)</u>	<u>63,720</u>	<u>(14,118,727)</u>
2,307,069	-	2,307,069
10,915,171	-	10,915,171
333,582	-	333,582
834,677	-	834,677
154,193	-	154,193
418,808	-	418,808
364,186	2,764	366,950
410,595	-	410,595
<u>15,738,281</u>	<u>2,764</u>	<u>15,741,045</u>
<u>1,555,834</u>	<u>66,484</u>	<u>1,622,318</u>
<u>30,761,943</u>	<u>652,103</u>	<u>31,414,046</u>
<u>44,810</u>	<u>-</u>	<u>44,810</u>
<u>30,806,753</u>	<u>652,103</u>	<u>31,458,856</u>
<u>\$ 32,362,587</u>	<u>\$ 718,587</u>	<u>\$ 33,081,174</u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

	General Fund	Municipal Aid	2003 Warrant Debt Service	1999 Bond Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 2,400,146	\$ 1,385,532	\$ 378,424	\$ 2,892,244	\$ 1,820,593	\$ 8,876,939
Receivables - taxes	1,038,842	-	-	-	-	1,038,842
Receivables - other	417,248	7,322	-	17,972	311,965	754,507
Prepaid expenses	26,443	-	-	-	-	26,443
Due from other funds	951,035	-	-	40,520	62,059	1,053,614
Notes receivable	1,195,000	-	-	-	-	1,195,000
TOTAL ASSETS	\$ 6,028,714	\$ 1,392,854	\$ 378,424	\$ 2,950,736	\$ 2,194,617	\$ 12,945,345
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 406,698	\$ 13,000	\$ -	\$ -	\$ 118,327	\$ 538,025
Other current liabilities	263,749	-	-	-	1,690	265,439
Due to other funds	88,078	95,587	308,248	-	561,701	1,053,614
TOTAL LIABILITIES	758,525	108,587	308,248	-	681,718	1,857,078
FUND BALANCES						
Unreserved:						
Undesignated	4,048,746	-	-	-	852,424	4,901,170
Designated for capital projects	-	1,284,267	-	-	21,834	1,306,101
Designated for debt service	-	-	70,176	2,950,736	638,641	3,659,553
Reserved:						
Prepaid expenses	26,443	-	-	-	-	26,443
Notes receivable	1,195,000	-	-	-	-	1,195,000
TOTAL FUND BALANCES	5,270,189	1,284,267	70,176	2,950,736	1,512,899	11,088,267
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,028,714	\$ 1,392,854	\$ 378,424	\$ 2,950,736	\$ 2,194,617	\$ 12,945,345

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, 2007

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

Total fund balances - governmental funds		\$ 11,088,267
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		31,953,352
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.		114,590
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, 2007 were:		
Bonds, leases and notes payable	\$ (10,472,930)	
Accrued interest	(83,685)	
Compensated absences	<u>(237,007)</u>	
Total long-term liabilities		<u>(10,793,622)</u>
Net assets of governmental activities		<u>\$ 32,362,587</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, 2007

	General Fund	Municipal Aid	2003 Warrant Debt Service	1999 Bond Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 13,401,273	\$ 225,749	\$ -	\$ 884,300	\$ 452,179	\$ 14,963,501
Licenses and permits	2,601,450	25,685	-	-	-	2,627,135
Intergovernmental	419,853	-	-	-	1,553,245	1,973,098
Other revenues	1,376,231	-	-	-	126,729	1,502,960
Interest on investments	139,755	58,348	307	119,033	46,742	364,185
Total revenues	17,938,562	309,782	307	1,003,333	2,178,895	21,430,879
EXPENDITURES						
Current operations:						
General government	5,474,304	240,063	-	90	1,879,909	7,594,366
Public safety	7,618,202	-	-	-	5,270	7,623,472
Public service	2,638,726	-	-	-	-	2,638,726
Other	1,703,128	-	-	-	-	1,703,128
Debt service:						
Principal retirement	401,732	-	145,000	205,000	635,000	1,386,732
Interest charges	96,214	-	117,561	94,538	191,298	499,611
Total expenditures	17,932,306	240,063	262,561	299,628	2,711,477	21,446,035
Excess (deficiency) of revenues over (under) expenditures	6,256	69,719	(262,254)	703,705	(532,582)	(15,156)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	259,561	13,738	467,879	741,178
Transfers out	(580,853)	(95,587)	-	-	(64,738)	(741,178)
Proceeds from capital leases	634,140	-	-	-	-	634,140
Total other financing sources (uses)	53,287	(95,587)	259,561	13,738	403,141	634,140
Net change in fund balances	59,543	(25,868)	(2,693)	717,443	(129,441)	618,984
FUND BALANCES - BEGINNING (AS ORIGINALLY REPORTED)						
Prior period adjustments	5,132,467	1,310,135	72,869	2,231,151	1,677,851	10,424,473
	78,179	-	-	2,142	(35,511)	44,810
FUND BALANCES - BEGINNING (AS RESTATED)						
	5,210,646	1,310,135	72,869	2,233,293	1,642,340	10,469,283
FUND BALANCES - ENDING	\$ 5,270,189	\$ 1,284,267	\$ 70,176	\$ 2,950,736	\$ 1,512,899	\$ 11,088,267

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, 2007

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

Net change in fund balances - total governmental funds		\$ 618,984
Capital outlays, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Assets.		1,926,825
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.		(1,840,818)
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.		100,400
Loan proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets.		(634,140)
Capital lease proceeds		
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	\$ 1,050,000	
Capital leases	<u>336,732</u>	
Total repayments		1,386,732
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		3,783
Decreases in long-term debt and related items that are not financial resources decrease net assets in the Statement of Net Assets.		
Accrued interest		<u>10,632</u>
Change in net assets of governmental activities		<u>\$ 1,555,834</u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2007

	<u>Inert Landfill</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 287,537
Receivables, net	64,786
Total current assets	<u>352,323</u>
CAPITAL ASSETS	
Land	104,913
Machinery and equipment	1,195,169
Construction in progress	6,201
Less accumulated depreciation	<u>(894,292)</u>
Total capital assets, net of accumulated depreciation	<u>411,991</u>
TOTAL ASSETS	<u>764,314</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	10,586
Other liabilities	556
Capital lease obligation	<u>17,024</u>
Total current liabilities	<u>28,166</u>
NONCURRENT LIABILITIES	
Capital lease obligation	<u>17,561</u>
TOTAL LIABILITIES	<u>45,727</u>
NET ASSETS	
Invested in capital assets, net of related debt	377,405
Unrestricted	<u>341,182</u>
TOTAL NET ASSETS	<u>\$ 718,587</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, 2007

	<u>Inert Landfill</u>
OPERATING REVENUES	
Service fees	\$ 304,454
OPERATING EXPENSES	
Personnel	87,611
Repairs and maintenance	27,324
Other operating expenses	32,315
Depreciation	52,365
Professional services	37,316
Supplies	1,525
Total operating expenses	<u>238,456</u>
OPERATING INCOME	<u>65,998</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	2,764
Interest expense	<u>(2,278)</u>
Total nonoperating revenues (expenses)	<u>486</u>
Change in net assets	66,484
TOTAL NET ASSETS - BEGINNING	<u>652,103</u>
TOTAL NET ASSETS - ENDING	<u>\$ 718,587</u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Inert Landfill</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 285,011
Payments to suppliers for goods and services	(112,842)
Payments to employees for services	(87,600)
Net cash provided by operating activities	<u>84,569</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash payments to other funds	<u>(19,069)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(6,201)
Principal payments on capital lease obligation	(40,260)
Interest paid on lease obligation	(2,278)
Net cash used by capital and related financing activities	<u>(48,739)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,761
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>270,776</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 287,537</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 65,998
Adjustments to reconcile operating income to net cash provided by operating activities:	
Interest income	2,764
Depreciation expense	52,365
Increase in accounts receivable	(22,207)
Decrease in accounts payable	(14,362)
Increase in other liabilities	11
Net cash provided by operating activities	<u><u>\$ 84,569</u></u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA
STATEMENT OF NET ASSETS
FIDUCIARY FUND
SEPTEMBER 30, 2007

	<u>Agency Fund</u>
ASSETS	
Receivables - taxes	\$ 80,069
LIABILITIES	
Accounts payable	<u>80,069</u>
NET ASSETS	
Unrestricted	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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.

Basis of Presentation, Basis of Accounting

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 non-operating revenues and expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation, Basis of Accounting (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.

Municipal Aid – This fund accounts for proceeds from a State gasoline tax. The use of this funding is restricted to expenditures related to construction, improvement and maintenance of highways, bridges and streets.

2003 Warrant Debt Service – This fund accounts for the resources accumulated and payments made for principal and interest on the 2003 General Obligation Bonds.

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.

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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.

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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, 2007

2. CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Deposits

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

As of September 30, 2007, none of the government's bank balance of \$9,958,193 was exposed to custodial credit risk. All of the government'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, 2007 for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Municipal Aid</u>	<u>1999 Bond Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Inert Landfill</u>	<u>Total</u>
Taxes	\$ 1,038,842	\$ -	\$ -	\$ -	\$ -	\$ 1,038,842
Accounts	1,031,383	987	-	10,485	64,786	1,107,641
Intergovernmental	111,308	-	-	300,472	-	411,780
Interest	<u>9,774</u>	<u>6,335</u>	<u>17,972</u>	<u>1,008</u>	<u>-</u>	<u>35,089</u>
Gross receivables	2,191,307	7,322	17,972	311,965	64,786	2,593,352
Less allowance for uncollectible	<u>(735,217)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(735,217)</u>
Net total receivables	<u>\$ 1,456,090</u>	<u>\$ 7,322</u>	<u>\$ 17,972</u>	<u>\$ 311,965</u>	<u>\$ 64,786</u>	<u>\$ 1,858,135</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>
2008	\$ 65,000	\$ 47,677
2009	70,000	45,345
2010	70,000	42,825
2011	75,000	40,102
2012	75,000	37,177
2013 - 2017	430,000	136,047
2018 - 2021	<u>410,000</u>	<u>37,058</u>
Total	<u>\$ 1,195,000</u>	<u>\$ 386,231</u>

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2007 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Retrospective Infrastructure Adjustment</u>	<u>Adjusted Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental activities:						
Capital assets, not being depreciated:						
Land	\$ 2,203,812	\$ -	\$ 2,203,812	\$ 221,273	\$ -	\$ 2,425,085
Construction in progress	<u>14,322</u>	<u>-</u>	<u>14,322</u>	<u>-</u>	<u>14,322</u>	<u>-</u>
Total capital assets, not being depreciated	<u>2,218,134</u>	<u>-</u>	<u>2,218,134</u>	<u>221,273</u>	<u>14,322</u>	<u>2,425,085</u>
Capital assets, being depreciated:						
Buildings	6,053,498	-	6,053,498	19,400	-	6,072,898
Improvements other than buildings	10,461,905	-	10,461,905	165,403	-	10,627,308
Infrastructure	19,393,584	18,540,963	37,934,547	925,377	-	38,859,924
Machinery and equipment	<u>7,532,702</u>	<u>-</u>	<u>7,532,702</u>	<u>710,094</u>	<u>-</u>	<u>8,242,796</u>
Total capital assets, being depreciated	<u>43,441,689</u>	<u>18,540,963</u>	<u>61,982,652</u>	<u>1,820,274</u>	<u>-</u>	<u>63,802,926</u>
Less accumulated depreciation for:						
Buildings	2,668,473	-	2,668,473	75,853	-	2,744,326
Improvements other than buildings	1,934,117	-	1,934,117	159,485	-	2,093,602
Infrastructure	9,811,257	13,610,191	23,421,448	929,264	-	24,350,712
Machinery and equipment	<u>4,409,803</u>	<u>-</u>	<u>4,409,803</u>	<u>676,216</u>	<u>-</u>	<u>5,086,019</u>
Total accumulated depreciation	<u>18,823,650</u>	<u>13,610,191</u>	<u>32,433,841</u>	<u>1,840,818</u>	<u>-</u>	<u>34,274,659</u>
Total capital assets, being depreciated, net	<u>24,618,039</u>	<u>4,930,772</u>	<u>29,548,811</u>	<u>(20,544)</u>	<u>-</u>	<u>29,528,267</u>
Governmental activities capital assets, net	<u>\$ 26,836,173</u>	<u>\$ 4,930,772</u>	<u>\$ 31,766,945</u>	<u>\$ 200,729</u>	<u>\$ 14,322</u>	<u>\$ 31,953,352</u>

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

5. CAPITAL ASSETS (Continued)

Primary Government (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 104,913	\$ -	\$ -	\$ 104,913
Construction in progress	<u>-</u>	<u>6,201</u>	<u>-</u>	<u>6,201</u>
Total capital assets, not being depreciated	<u>104,913</u>	<u>6,201</u>	<u>-</u>	<u>111,114</u>
Capital assets, being depreciated:				
Improvements other than buildings	14,759	-	-	14,759
Machinery and equipment	<u>1,180,410</u>	<u>-</u>	<u>-</u>	<u>1,180,410</u>
Total capital assets, being depreciated	<u>1,195,169</u>	<u>-</u>	<u>-</u>	<u>1,195,169</u>
Less accumulated depreciation for:				
Improvements other than buildings	8,855	737	-	9,592
Machinery and equipment	<u>833,072</u>	<u>51,628</u>	<u>-</u>	<u>884,700</u>
Total accumulated depreciation	<u>841,927</u>	<u>52,365</u>	<u>-</u>	<u>894,292</u>
Total capital assets, being depreciated, net	<u>353,242</u>	<u>(52,365)</u>	<u>-</u>	<u>300,877</u>
Business-type activities capital assets, net	<u>\$ 458,155</u>	<u>\$ (46,164)</u>	<u>\$ -</u>	<u>\$ 411,991</u>

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

Governmental Activities:	
General government	\$ 315,570
Public service	1,146,268
Public safety	317,076
Other	<u>61,904</u>
Total depreciation expense – governmental activities	<u>\$ 1,840,818</u>
Business-type Activities	<u>\$ 52,365</u>

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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, 2007 is shown below:

Due to/from other funds:

<u>Due From:</u>	<u>Due To:</u>			<u>Total</u>
	<u>General Fund</u>	<u>1999 Bond Fund</u>	<u>Nonmajor Governmental Funds</u>	
General Fund	\$ -	\$ 40,520	\$ 47,558	\$ 88,078
Municipal Aid	95,587	-	-	95,587
2003 Warrant Debt Service	308,248	-	-	308,248
Nonmajor Governmental Funds	<u>547,200</u>	<u>-</u>	<u>14,501</u>	<u>561,701</u>
Total	\$ 951,035	\$ 40,520	\$ 62,059	\$ 1,053,614

Interfund Transfers:

<u>Transfer Out:</u>	<u>Transfer In:</u>			<u>Total</u>
	<u>2003 Warrant Debt Service</u>	<u>1999 Bond Fund</u>	<u>Nonmajor Governmental Funds</u>	
General Fund	\$ 163,974	\$ -	\$ 416,879	\$ 580,853
Municipal Aid	95,587	-	-	95,587
Nonmajor Governmental Funds	-	13,738	51,000	64,738
Total	\$ 259,561	\$ 13,738	\$ 467,879	\$ 741,178

7. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2007, 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	\$10,395,000	\$ -	\$ 1,050,000	\$ 9,345,000	\$ 1,095,000
Compensated absences	240,790	237,007	240,790	237,007	237,007
Capital leases	<u>830,522</u>	<u>634,140</u>	<u>336,732</u>	<u>1,127,930</u>	<u>312,486</u>
	\$11,466,312	\$ 871,147	\$ 1,627,522	\$10,709,937	\$ 1,644,493
Business-type Activities:					
Capital lease	<u>\$ 74,845</u>	<u>\$ -</u>	<u>\$ 40,259</u>	<u>\$ 34,586</u>	<u>\$ 17,024</u>

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

7. LONG-TERM DEBT (Continued)

Long-term debt payable at September 30, 2007 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:

1975 Public Building Authority Revenue Bond, interest at 5.625%	\$ 585,000
1996 General Obligation Warrants, interest at 3.9% to 5.0%	2,485,000
1999 General Obligation Bonds, interest at 4.2% to 5.4%	1,715,000
2003 General Obligation Warrants, interest at 1.2% to 3.9%	3,365,000
2005 General Obligation Warrants, interest at 3.3% to 4.4%	<u>1,195,000</u>
 Total bonds and warrants	 <u>\$ 9,345,000</u>

The annual debt service requirements to maturity, including principal and interest, for General City bonds and warrants as of September 30, 2007, are as follows:

Year Ending September 30:	<u>Principal</u>	<u>Interest</u>
2008	\$ 1,095,000	\$ 398,369
2009	1,140,000	354,742
2010	1,185,000	307,233
2011	1,240,000	255,608
2012	1,295,000	199,841
2013-2017	2,980,000	315,956
2018-2021	<u>410,000</u>	<u>37,058</u>
 Total	 <u>\$ 9,345,000</u>	 <u>\$ 1,868,807</u>

As required by the 1975 Public Building Authority Revenue Bond debt covenant, the following information is provided relating to property and casualty insurance on public buildings:

<u>Insurer</u>	<u>Policy Number</u>	<u>Period Covered</u>	<u>Property Covered</u>	<u>Coverage Limit</u>
Alabama Municipal Insurance Corporation	1101527477072	10/01/06 – 9/30/07	Commercial Property	\$ 44,537,172
Alabama Municipal Insurance Corporation	1101527477101	10/01/07 – 9/30/08	Commercial Property	45,873,289

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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	\$ 1,179,319	\$ -
Automobiles	<u>409,851</u>	<u>67,090</u>
	1,589,170	67,090
Less accumulated depreciation	<u>(519,100)</u>	<u>(19,169)</u>
	<u>\$ 1,070,070</u>	<u>\$ 47,921</u>

Governmental Activities

Capital lease obligation for loader dated March 15, 2005, payable in annual installments of \$98,421, final payment due April 2010

\$ 274,412

Capital lease obligation for containers and dumpsters dated June 9, 2005, payable in quarterly installments of \$27,233, final payment due July 2010

277,591

Capital lease obligation for copy machine dated December 27, 2004, payable in monthly installments of \$249, final payment due December 2010

6,340

Capital lease obligation for police patrol cars dated September 13, 2006, payable in annual installments of \$6,425, final payment due September 2009

11,617

Capital lease obligation for police patrol cars dated September 28, 2007, payable in annual installments of \$55,774, final payment due October 2011

192,950

Capital lease obligation for telephone system dated October 25, 2006, payable in monthly installments of \$1,361, final payment due November 2010

46,929

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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	\$ 312,089
Capital lease obligation for copy machine dated November 2, 2006, payable in monthly installments of \$210, final payment due February 2010	<u>6,002</u>
Total governmental activities capital leases	<u>\$ 1,127,930</u>

Business-type Activities

Capital lease obligation for litter vacuum trucks dated November 18, 2003, payable in annual installments of \$18,114, final payment due November 2008	<u>\$ 34,585</u>
--	------------------

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2007, were as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Year ending September 30:		
2008	\$ 364,069	\$ 18,113
2009	363,443	18,114
2010	326,074	-
2011	130,549	-
2012	<u>63,226</u>	<u>-</u>
Total minimum lease payments	1,247,361	36,227
Less amount representing interest	<u>119,431</u>	<u>1,642</u>
Present value of minimum lease payments	<u>\$ 1,127,930</u>	<u>\$ 34,585</u>

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

7. LONG-TERM DEBT (Continued)

Operating Leases

The City is obligated under an operating lease for a copier through December 31, 2011. The lease is for \$420 per month and the future minimum lease payments under this lease are:

Year ending September 30:		
2007	\$	13,061
2008		13,061
2009		11,063
2010		5,855
2011		<u>4,212</u>
Present value of minimum lease payments	\$	<u>47,252</u>

Total rental expense for the above mentioned lease is \$7,038 for the year ended September 30, 2007.

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.

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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, 2006), 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, 2006, the required employer contribution rate was 7.97% of annual covered compensation.

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

8. EMPLOYEES' RETIREMENT PLAN (Continued)

Annual Pension Cost

1. Current-Year Contribution Information

For the year ended September 30, 2007, the City's annual pension cost contributed by employees was \$457,346 and the City contributed \$665,548, or a total of \$1,122,894. Contributions were made in accordance with actuarially determined contribution requirements through an actuarial valuation performed at September 30, 2006.

2. Actuarial Assumptions and Methods

Valuation date	September 30, 2006
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>
9/30/2004	\$ 497,898	100.0%	\$ -
9/30/2005	563,994	100.0	-
9/30/2006	574,728	100.0	-

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

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:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Liability	(b - a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b - a)/c UAL as a Percentage of Payroll
9/30/04 *	\$ 26,260,887	\$ 29,008,566	\$ 2,747,679	90.5%	\$ 8,461,591	32.5%
9/30/05	26,657,412	30,305,715	3,648,303	88.0	8,212,780	44.4
9/30/06**	26,592,837	31,820,475	5,227,638	83.6	8,282,361	63.1

* Reflects effect of DROP if unit elected to enroll prior to August 4, 2005.

** Reflects changes in actuarial assumptions.

9. POST-EMPLOYMENT BENEFITS

The City offers health insurance through its group policy for retired employees. Employees who are eligible for retirement benefits are eligible for post-employment health insurance. The City pays the total cost of health insurance for the retired employees (not including dependents) until the employee reaches sixty-five years of age. When the employee reaches age sixty-five and becomes eligible for Medicare, the City pays one-half of the cost of the employee's supplemental health insurance coverage offered through its group policy. This benefit is available for the life of the employee; it is not available to beneficiaries of the employee. The City accounts for the benefit on the (pay-as-you-go) cash basis. Participants are currently eligible. The total expense to the City for the year ended September 30, 2007 was \$95,179.

10. 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	\$ 26,443
Notes receivable	<u>1,195,000</u>
Total Reserved Fund Balance	\$ <u>1,221,443</u>

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

11. RISK MANAGEMENT

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

12. CONTINGENT LIABILITIES

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

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

During 2007, the City was a defendant in a lawsuit which resulted in an unfavorable verdict in the amount of \$310,000. The City has submitted an appeal to the Supreme Court of Alabama and is awaiting the outcome. It is in the opinion of legal counsel that the verdict will be reversed on appeal.

13. PRIOR PERIOD ADJUSTMENTS

Net assets at the beginning of 2006 have been adjusted for the following errors relating to the prior year.

	<u>General Fund</u>
Understatement of interfund receivables and payables	\$ <u>41,909</u>

14. ACCOUNTING CHANGES AND RESTATEMENTS

During the 2007 fiscal year, the City completed their implementation of GASB Statement No. 34 with the retroactive capitalization of infrastructure. An independent consultant was engaged to assist with the inventory of the City's infrastructure.

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

14. ACCOUNTING CHANGES AND RESTATEMENTS (Continued)

Net assets at October 1, 2006 were restated to reflect the capitalization of infrastructure as follows:

	<u>Governmental Activities</u>
Net assets at October 1, 2006 – As originally reported	\$ 25,831,171
GASB No. 34 adjustments:	
Infrastructure, net of accumulated depreciation	<u>4,930,772</u>
Net assets October 1, 2006 – As restated	<u>\$ 30,761,943</u>

15. EFFECT OF NEW PRONOUNCEMENTS

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

GASB Statement Number 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*

GASB Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*

GASB Statement Number 47, *Accounting for Termination Benefits*

GASB Statement Number 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*

GASB Statement Number 49, *Accounting and Financial Reporting for Pollution Remediation*

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, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 13,734,134	\$ 13,734,134	\$ 13,401,273	\$ (332,861)
Licenses and permits	2,577,356	2,577,356	2,601,450	24,094
Intergovernmental revenues	162,022	463,122	419,853	(43,269)
Other revenues	1,295,271	1,300,271	1,376,231	75,960
Interest on investments	81,217	81,217	139,755	58,538
Total revenues	<u>17,850,000</u>	<u>18,156,100</u>	<u>17,938,562</u>	<u>(217,538)</u>
EXPENDITURES				
Current operations:				
General government	5,312,746	5,751,013	5,474,304	276,709
Public safety	7,622,016	7,543,090	7,618,202	(75,112)
Public service	2,721,710	2,731,710	2,638,726	92,984
Other	1,654,716	1,691,913	1,703,128	(11,215)
Debt service:				
Principal retirement	435,138	435,138	401,732	33,406
Interest charges	-	-	96,214	(96,214)
Total expenditures	<u>17,746,326</u>	<u>18,152,864</u>	<u>17,932,306</u>	<u>220,558</u>
Excess of revenues over expenditures	<u>103,674</u>	<u>3,236</u>	<u>6,256</u>	<u>3,020</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	(580,853)	(580,853)
Proceeds from capital leases	-	-	634,140	634,140
Total other financing sources (uses)	-	-	<u>53,287</u>	<u>53,287</u>
Net change in fund balance	<u>103,674</u>	<u>3,236</u>	<u>59,543</u>	<u>56,307</u>
FUND BALANCES - BEGINNING (AS ORIGINALLY REPORTED)				
Prior period adjustments	-	-	78,179	78,179
FUND BALANCES - BEGINNING (AS RESTATED)				
	<u>5,132,467</u>	<u>5,132,467</u>	<u>5,210,646</u>	<u>78,179</u>
FUND BALANCES - ENDING				
	<u>\$ 5,236,141</u>	<u>\$ 5,135,703</u>	<u>\$ 5,270,189</u>	<u>\$ 134,486</u>

See accompanying notes.

CITY OF SELMA, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

Special Revenue

	State Lodging Tax	Revolving Loan Fund	Drug Enforcement Unit	Other Funds Account	AL Trust Fund	AL - Tom Grant	Summer Food Program	Planning and Development	Weed and Seed	Community Reinvestment	Brownsfield Grant
ASSETS											
Cash and cash equivalents	\$ 177,605	\$ 96,291	\$ 4,361	\$ 62,878	\$ 215,854	\$ 16,840	\$ 143,821	\$ 13,021	\$ 4,284	\$ 180,463	\$ 28,339
Restricted cash	-	-	-	-	-	-	-	-	-	-	-
Receivables - other	-	1,008	-	-	-	-	-	-	-	-	-
Receivables - intergovernmental	-	-	-	13,795	-	-	-	12,500	-	-	14,042
Due from other funds	32,906	-	6,474	14,500	-	-	-	-	-	8,179	-
TOTAL ASSETS	\$ 210,511	\$ 97,299	\$ 10,835	\$ 91,173	\$ 215,854	\$ 16,840	\$ 143,821	\$ 25,521	\$ 4,284	\$ 188,642	\$ 42,381
LIABILITIES											
Accounts payable	\$ 10,000	\$ -	\$ 14,357	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,083	\$ 750	\$ 3,000
Other current liabilities	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	8,542	16,820	141,253	14,500	3,906	-	20,276
TOTAL LIABILITIES	10,000	-	14,357	-	8,542	16,820	141,253	14,500	4,989	750	23,276
FUND BALANCES											
Unreserved:											
Undesignated	200,511	97,299	(3,522)	91,173	207,312	20	2,568	11,021	(705)	187,892	19,105
Designated for capital projects	-	-	-	-	-	-	-	-	-	-	-
Designated for debt service	-	-	-	-	-	-	-	-	-	-	-
TOTAL FUND BALANCES	200,511	97,299	(3,522)	91,173	207,312	20	2,568	11,021	(705)	187,892	19,105
TOTAL LIABILITIES AND FUND BALANCES	\$ 210,511	\$ 97,299	\$ 10,835	\$ 91,173	\$ 215,854	\$ 16,840	\$ 143,821	\$ 25,521	\$ 4,284	\$ 188,642	\$ 42,381

See accompanying notes.

CITY OF SELMA, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007

	Special Revenue										Debt Service			Capital Projects			Total			
	St. James		Selma		Firefighter		Good		U&C		1996		1994		1999			Nonmajor	Governmental	Funds
	Hotel	Project	Dallas	Prevention	Grant	Samaritan	FHI	FHI	Refunding	Warrants	Bonds	Refunding	Public	Bond	Capital	Project				
Cash and cash equivalents	\$ 48,973	\$ 20,719	\$ -	\$ -	\$ 53	\$ 5,662	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,189	\$ 1,033,353	
Restricted cash	-	-	-	-	-	-	-	-	-	-	170,277	-	-	-	-	43,270	-	-	787,240	
Receivables - other	-	2,485	-	-	-	8,000	-	-	-	-	-	-	-	-	-	-	-	-	11,493	
Receivables - intergovernmental	113,384	-	146,751	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300,472	
Due from other funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	62,059	
TOTAL ASSETS	\$ 162,357	\$ 23,204	\$ 146,751	\$ -	\$ 53	\$ 13,662	\$ -	\$ -	\$ -	\$ 170,277	\$ -	\$ 573,693	\$ -	\$ -	\$ 43,270	\$ -	\$ 14,189	\$ 2,194,617		
LIABILITIES																				
Accounts payable	\$ 102	\$ 1,198	\$ 87,818	\$ -	\$ -	\$ 19	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,327	
Other current liabilities	1,690	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,690	
Due to other funds	172,709	-	36,446	-	-	-	-	6,295	-	105,329	-	-	-	-	35,625	-	-	-	561,701	
TOTAL LIABILITIES	174,501	1,198	124,264	-	19	6,295	-	6,295	-	105,329	-	-	-	-	35,625	-	-	681,718		
FUND BALANCES																				
Unreserved:																				
Undesignated	(12,144)	22,006	22,487	53	13,643	(6,295)	-	-	-	-	-	-	-	-	-	-	-	-	852,424	
Designated for capital projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,834	
Designated for debt service	-	-	-	-	-	-	-	-	-	64,948	-	573,693	-	-	7,645	-	14,189	-	638,641	
TOTAL FUND BALANCES	(12,144)	22,006	22,487	53	13,643	(6,295)	-	(6,295)	-	64,948	-	573,693	-	-	7,645	14,189	-	1,512,899		
TOTAL LIABILITIES AND FUND BALANCES	\$ 162,357	\$ 23,204	\$ 146,751	\$ 53	\$ 13,662	\$ -	\$ -	\$ -	\$ -	\$ 170,277	\$ -	\$ 573,693	\$ -	\$ -	\$ 43,270	\$ 14,189	\$ 2,194,617			

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, 2007

	Special Revenue										
	State Lodging Tax	Revolving Loan Fund	Drug Enforcement Unit	Other Funds Account	AL Trust Fund	AL Tom Grant	Summer Food Program	Planning and Development	Weed and Seed	Community Reinvestment	Brownsfield Grant
REVENUES											
Taxes	\$ 333,583	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	20,928	140,988	-	130,592	500,000	-	-	53,836
Other revenues	-	-	459	-	-	-	-	-	-	3,300	-
Interest on investments	4,433	6,493	234	164	2,314	-	2,423	149	-	3,927	-
Total revenues	338,016	6,493	693	21,092	143,302	-	133,015	500,149	-	7,227	53,836
EXPENDITURES											
Current operations:											
General government	335,125	2,500	-	23,775	94,964	-	130,653	552,589	-	24,616	52,027
Public safety	-	-	5,218	-	-	-	-	-	52	-	-
Debt service:											
Principal retirement	-	-	-	-	-	-	-	-	-	-	-
Interest charges	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	335,125	2,500	5,218	23,775	94,964	-	130,653	552,589	52	24,616	52,027
Excess of revenues over (under) expenditures	2,891	3,993	(4,525)	(2,683)	48,338	-	2,362	(52,440)	(52)	(17,389)	1,809
OTHER FINANCING SOURCES (USES)											
Transfers in	(1,000)	(50,000)	-	53,226	-	-	-	50,000	-	-	-
Transfers out	(1,000)	(50,000)	-	53,226	-	-	-	50,000	-	-	-
Total other financing sources (uses)	1,891	(46,007)	(4,525)	50,543	48,338	-	2,362	(2,440)	(52)	(17,389)	1,809
Net change in fund balances	195,242	143,306	(5,316)	40,630	158,974	20	206	13,461	(653)	205,281	17,296
Prior period adjustment	3,378	-	6,319	-	-	-	-	-	-	-	-
FUND BALANCES - BEGINNING (AS RESTATED)	198,620	143,306	1,003	40,630	158,974	20	206	13,461	(653)	205,281	17,296
FUND BALANCES - ENDING	\$ 200,511	\$ 97,299	\$ (3,522)	\$ 91,173	\$ 207,312	\$ 20	\$ 2,568	\$ 11,021	\$ (705)	\$ 187,892	\$ 19,105

See accompanying notes.

CITY OF SELMA, ALABAMA
COMPUTATION OF LEGAL DEBT MARGIN
SEPTEMBER 30, 2007

Assessed Value		<u>\$ 129,000,020</u>
Legal Debt Margin		
Debt Limitation - 20 Percent of Assessed Value		25,800,004
Debt Applicable to Limitation:		
Long-term Bonded Debt Including Capital Leases	\$ 10,507,515	
Less: Debt attributable to the construction of schoolhouses	(1,195,000)	
Less: Amount Available for Repayment of General Obligation Debt	<u>(3,659,553)</u>	
Total Debt Applicable to Limitation		<u>5,652,962</u>
Legal Debt Margin		<u>\$ 20,147,042</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, 2007

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to Government (a)</u>	<u>Amount Applicable to Government</u>
Direct			
City of Selma:			
General Obligations including			
Capital Leases	\$ 10,507,515 (a)	100.00%	\$ 10,507,515
Overlapping			
Dallas County:			
General Obligations including			
Capital Leases	<u>15,037,275</u>	37.20%	<u>5,593,866</u>
Total	<u><u>\$ 25,544,790</u></u>		<u><u>\$ 16,101,381</u></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.