

CITY OF SELMA, ALABAMA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

CITY OF SELMA, ALABAMA
SEPTEMBER 30, 2010

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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, 2010, 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, 2010, 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 April 4, 2011, 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 43, 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.

Montgomery, Alabama
April 4, 2011

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, 2010

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, 2010. 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, 2010, the City's net assets (assets minus liabilities) totaled \$36,362,690, an increase of \$3,056,023 over the September 30, 2009 figure. Included in this increase is a prior period adjustment which increased net assets by \$2,358,427.
- Total net assets for governmental activities are comprised of the following:
 - (1) Capital assets net of related debt of \$27,062,519, 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 \$7,105,492 are restricted by constraints imposed from outside the City such as debt covenants, laws and regulations.
 - (3) Unrestricted net assets of \$1,799,881 represent the portion available to maintain the City's continuing obligations to citizens and creditors.
- Total net assets for governmental activities increased by \$3,283,052, thus bringing the total to \$35,967,892 for fiscal year 2010. Included in this increase is a prior period adjustment which increased net assets by \$2,358,427.
- Total net assets for business-type activities decreased by \$227,029, thus bringing the total down to \$394,798 for fiscal year 2010.
- Fund balances (a measure of current financial resources) in governmental funds increased by \$7,617,675 to a total of \$18,038,132. Of this amount \$1,087,611 is reserved and is not appropriable for expenditures or is legally segregated for a specific future use. The remaining \$16,950,521 is unreserved, of which \$13,875,645 is designated for debt service and capital projects. The remaining \$3,074,876 is undesignated and is available for future programs.

- The general fund undesignated fund balance, as of September 30, 2010, was \$2,370,294, or 14.3% of total general fund expenditures.
- The City's total bond and capital lease debt increased by \$10,339,847 (125.1%) during the current fiscal year. The primary cause for this increase is the City issued the Series 2009 General Obligation Refunding Warrants, the Series 2009-A General Obligation Build America Bonds, and the Series 2009-B General Obligation Refunding Bonds during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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 \$36,363,690 as of September 30, 2010. The following table reflects the condensed Government-Wide Statement of Net Assets:

Statement of Net Assets						
As of September 30						
(In Thousands)						
	Governmental		Business-type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Current and other assets						
(net of internal balances)	\$ 20,349	\$ 12,252	\$ 41	\$ 381	\$ 20,390	\$ 12,633
Internal balances	214	4	(214)	(4)	-	-
Capital assets	35,945	30,110	873	751	36,818	30,861
Total Assets	56,508	42,366	700	1,128	57,208	43,494
Current and other liabilities	4,220	3,750	98	205	4,318	3,955
Long-term liabilities	16,320	5,931	207	301	16,527	6,232
Total Liabilities	20,540	9,681	305	506	20,845	10,187
Net assets:						
Invested in capital assets, net of related debt	27,063	23,292	572	359	27,635	23,651
Restricted	7,105	6,390	-	-	7,105	6,390
Unrestricted	1,800	3,003	(177)	263	1,623	3,266
Total Net Assets	\$ 35,968	\$ 32,685	\$ 395	\$ 622	\$ 36,363	\$ 33,307

The City's total assets were \$57,207,281 as of September 30, 2010. Of this amount, \$36,817,237 is accounted for by capital assets, which includes infrastructure.

Of the remaining City assets, \$4,125,440 is accounted for in cash and cash equivalents, \$2,036,679 in accounts receivable, \$990,000 in notes receivable, \$4,699,783 in restricted cash and cash equivalents, \$8,035,677 in restricted cash held by fiscal agent, and the remainder spread among miscellaneous assets.

At September 30, 2010, the City had outstanding liabilities of \$20,843,591, of which \$16,526,533 was long-term debt. Long-term debt includes bonds and warrants payable and capital lease obligations. Of the total amount outstanding approximately \$2,075,598 was due within one year, with the remainder due at various dates before 2023.

Included in other liabilities in the above table are \$1,755,058 in accounts payable and other current liabilities and \$118,747 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 \$7,105,492 or 19.5% of total net assets. The remaining \$1,623,225 or 4.5% 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		Business-type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues						
Charges for services	\$ 3,926	\$ 4,185	\$ 114	\$ 253	\$ 4,040	\$ 4,438
Operating grants and contributions	890	1,079	-	-	890	1,079
Capital grants and contributions	1,613	441	-	-	1,613	441
General revenues						
Property taxes	2,369	2,435	-	-	2,369	2,435
Sales and use taxes	10,116	10,317	-	-	10,116	10,317
Lodging taxes	334	299	-	-	334	299
Other taxes	1,303	1,303	-	-	1,303	1,303
Investment earnings	52	95	-	1	52	96
Other	359	354	-	-	359	354
Total revenues	20,962	20,508	114	254	21,076	20,762
Expenses						
General government	6,786	7,055	-	-	6,786	7,055
Public safety	7,851	7,567	-	-	7,851	7,567
Public service	2,971	3,228	-	-	2,971	3,228
Other	1,665	1,589	-	-	1,665	1,589
Interest on long-term debt	653	403	-	-	653	403
Inert landfill	-	-	452	388	452	388
Total expenses	19,926	19,842	452	388	20,378	20,230
Increase (decrease) in net assets						
before transfers	1,036	666	(338)	(134)	698	532
Transfers in (out)	(111)	-	111	-	-	-
Increase (decrease) in net assets	925	666	(227)	(134)	698	532
Net assets - beginning as						
originally reported	32,685	32,008	622	756	33,307	32,764
Prior period adjustment	2,358	11	-	-	2,358	11
Net assets - as restated	35,043	32,019	622	756	35,665	32,775
Net assets - ending	\$ 35,968	\$ 32,685	\$ 395	\$ 622	\$ 36,363	\$ 33,307

Total revenues for the City were \$21,075,983 for the year ended September 30, 2010. Governmental activities provided \$20,962,091 or 99.5%, while \$113,892 of business-type activities revenue was provided by charges for services and interest income. The governmental activities received \$10,116,085, or 48.3% of total revenue, from sales taxes and \$2,510,612, or 12.0% of total revenue, from business licenses and permits.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Fund balances increased by \$7,617,675 in the current year. The 2009 Capital Project Bond Fund increased by \$7,477,920 while the remaining governmental funds balance increased by \$139,755. 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 general fund revenues were \$16,612,884 which was a decrease of \$398,116 over final budgeted revenues. The primary cause of this is as follows:

- The actual sales tax received was \$244,000 under the anticipated revenue.
- The total receipts for Business License were \$203,000 under the anticipated revenue.

Total general fund expenditures were \$16,624,015, which was an increase of \$5,157 over final budgeted expenditures.

Capital Asset and Debt Administration

The City's investment in capital assets for governmental and business-type activities as of September 30, 2010, was \$36,817,237 (net of accumulated depreciation). Capital asset investments include land, construction in progress, buildings, building improvements, infrastructure, machinery and equipment, net of depreciation. New additions to capital assets included the following:

- The Fire Department purchased a new fire engine and a rescue truck.
- The Police Department purchased a fleet of patrol and detective vehicles as well as two motorcycles. Each of the patrol cars included state of the art in-car cameras.
- Several tractors and mowers were purchased for both the Public Works Department and the Cemetery Department.
- Various capital improvements were added to City owned buildings.

At the end of the fiscal year the City had secured and bonded debt outstanding of \$18,056,039. Of this amount \$17,584,658 comprises debt backed by the full faith and credit of the City and \$471,381 in long-term leases. The City's total bond and capital lease debt increased by \$10,338,847 (125.1%) during the current fiscal year. The primary cause for this increase is the City issued the Series 2009 General Obligation Refunding Warrants, the Series 2009-A General Obligation Build America Bonds, and the Series 2009-B General Obligation Refunding Bonds during the current fiscal year.

THE OUTLOOK FOR NEXT YEAR

The historic City of Selma experienced its 190th birthday in December 2010. Founded in 1820, it is the second oldest city in the State of Alabama. The 2010 census count showed an 18.977% population increase from 20,512 in 2000 to 25,316 in 2010. The perceived population increase has been documented by the Census Bureau count as the City continues to see moderate increases in tandem with residential investment and local college/university enrollment. The City suffered one of the highest unemployment rates in history in 2010 at 22.1% which was considerably higher than the state and national rates. The City experienced a loss in each of the revenue streams except lodging tax. During the economic downturn, the City has been able to maintain level spending throughout the budget year.

In 2010 the City completed its Comprehensive Master Plan. 2010 also brought citizens to a consensus in the passing of a \$12 million dollar bond referendum and along with several grants, the City was able to embark on many projects that will effectively address the City's needs as it relates to trends in population growth. The primary focus of the City is reflective in the City's Comprehensive Master Plan which includes:

- Infrastructure improvements – The City is reconstructing and resurfacing several major thoroughfares under the bond referendum. Several areas are receiving new sewer lines to relieve some of the pressure on the aging infrastructure. The City must continue to update and modernize its infrastructure enabling it to handle the increase in population.
- Bloch Park and Memorial Stadium – The City's athletic facility has not had a major renovation since construction in 1947. The stadium is receiving new lights, renovated announcement booth, restrooms and track.
- City Marina – The City Marina restaurant was destroyed by fire in 2010. There are plans the City to reconstruct it in 2011 to include a gas pump for boaters to have the ability to purchase fuel on the river.
- Renovation of Various Public Buildings – The 2010 Bond Referendum allowed for the renovation and upgrade of four fire stations, the police department, convention center, city hall, public library, Vaughn-Smitherman Museum, Performing Arts Center, Red School House/Red Cross Building, White Force Cottage, and the animal shelter. Construction is still on-going.
- Adequate Equipment for the Public Service Departments – Major equipment was purchased for the Public Works Department, Cemetery Department, Recreation Department, Fire Department, and Police Department from lawn mowers to automobiles and fire engines. Acquisitions will continue into 2011.
- Riverfront Development – The City is creating a family friendly environment, while increasing foot traffic in the downtown area by implementing and promoting its riverfront development along the banks of the Alabama River. Phase I is scheduled for completion in April 2011 and construction will begin on the \$1.2 million dollar amphitheatre.
- Downtown Redevelopment – The City is developing public/private partnerships to assist with the rehabilitation and redevelopment of the downtown district.
- Selma Interpretive Center – Phase I of the stabilization has begun on the Interpretive Center buildings. The Visitor Area of the planned construction is scheduled for completion in February 2011. The City continues to seek funding for the complete build-out of the facility and parking.

- Code Enforcement – The City has increased the capacity of the Code Enforcement Department. There is evidence of stronger and more consistent enforcement of the City’s code enforcement ordinances.

The City has experienced an increase in retail development but realizes the need to continue its recruitment efforts. Continued emphasis is being placed on developing the appropriate public/private partnership to see the construction of a movie theatre to fruition, a restaurant chain and other retail development. The City anticipates the completion of the above listed projects within the next year that will help boost the City’s revenue by producing more tax dollars.

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, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,107,482	\$ 17,958	\$ 4,125,440
Receivables, net	2,013,448	23,230	2,036,678
Internal balances	214,397	(214,397)	-
Prepaid expenses	97,611	-	97,611
Notes receivable	990,000	-	990,000
Deferred debt expense, net	404,855	-	404,855
Restricted assets:			
Cash and cash equivalents	4,699,783	-	4,699,783
Cash held by fiscal agent	8,035,677	-	8,035,677
Capital assets not being depreciated:			
Land	2,624,665	104,913	2,729,578
Construction in progress	3,280,627	-	3,280,627
Capital assets net of accumulated depreciation:			
Buildings	5,270,696	-	5,270,696
Improvements	8,488,507	200,331	8,688,838
Infrastructure	12,106,892	-	12,106,892
Machinery and equipment	4,173,078	567,528	4,740,606
TOTAL ASSETS	\$ 56,507,718	\$ 699,563	\$ 57,207,281
LIABILITIES AND NET ASSETS			
LIABILITIES			
Accounts payable and accrued expenses	\$ 1,751,611	\$ 3,447	\$ 1,755,058
Accrued interest payable	118,747	-	118,747
Deferred revenue	207,798	-	207,798
Other liabilities	160,857	-	160,857
Noncurrent liabilities:			
Due within one year	1,981,127	94,471	2,075,598
Due in more than one year	16,319,686	206,847	16,526,533
TOTAL LIABILITIES	20,539,826	304,765	20,844,591
NET ASSETS			
Investment in capital assets, net of related debt	27,062,519	571,454	27,633,973
Restricted for:			
Public safety	43,722	-	43,722
Economic development	273,312	-	273,312
Community development	390,733	-	390,733
Capital projects	1,880,421	-	1,880,421
Debt service	4,517,304	-	4,517,304
Unrestricted	1,799,881	(176,656)	1,623,225
TOTAL NET ASSETS	35,967,892	394,798	36,362,690
TOTAL LIABILITIES AND NET ASSETS	\$ 56,507,718	\$ 699,563	\$ 57,207,281

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

<u>Function/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Business-type Activities</u>		<u>Total</u>
Primary Government								
Governmental activities:								
General government	\$ 6,786,604	\$ 2,788,602	\$ 626,761	\$ 17,780	\$ (3,353,461)	\$ -	\$ -	\$ (3,353,461)
Public safety	7,851,155	193,473	263,455	-	(7,394,227)	-	-	(7,394,227)
Public service	2,970,714	818,302	-	1,594,727	(557,685)	-	-	(557,685)
Other	1,665,619	125,243	-	-	(1,540,376)	-	-	(1,540,376)
Interest and fiscal charges on long-term debt	652,642	-	-	-	(652,642)	-	-	(652,642)
Total governmental activities	<u>19,926,734</u>	<u>3,925,620</u>	<u>890,216</u>	<u>1,612,507</u>	<u>(13,498,391)</u>	<u>-</u>	<u>-</u>	<u>(13,498,391)</u>
Business-type activities:								
Inert landfill	451,653	113,844	-	-	-	(337,809)	-	(337,809)
Total primary government	<u>\$ 20,378,387</u>	<u>\$ 4,039,464</u>	<u>\$ 890,216</u>	<u>\$ 1,612,507</u>	<u>(13,498,391)</u>	<u>(337,809)</u>	<u>(337,809)</u>	<u>(13,836,200)</u>
General Revenues								
Property taxes					2,369,432	-	-	2,369,432
Sales taxes					10,116,085	-	-	10,116,085
Lodging taxes					334,322	-	-	334,322
Motor fuel taxes					869,922	-	-	869,922
Alcoholic beverage taxes					123,961	-	-	123,961
Tobacco taxes					309,007	-	-	309,007
Investment earnings					52,076	48	-	52,124
Miscellaneous revenue					358,943	-	-	358,943
Transfers					(110,732)	110,732	-	-
Total general revenues and transfers					<u>14,423,016</u>	<u>110,780</u>	<u>-</u>	<u>14,533,796</u>
Change in net assets					<u>924,625</u>	<u>(227,029)</u>	<u>-</u>	<u>697,596</u>
Net assets - beginning as originally reported					<u>32,684,840</u>	<u>621,827</u>	<u>-</u>	<u>33,306,667</u>
Prior period adjustments					<u>2,358,427</u>	<u>-</u>	<u>-</u>	<u>2,358,427</u>
Net assets - beginning as restated					<u>35,043,267</u>	<u>621,827</u>	<u>-</u>	<u>35,665,094</u>
Net assets - ending					<u>\$ 35,967,892</u>	<u>\$ 394,798</u>	<u>\$ -</u>	<u>\$ 36,362,690</u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	General Fund	Other Funds Account	1999 Bond Fund	2009 Capital Project Bond	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 1,356,596	\$ 105,159	\$ -	\$ -	\$ 2,645,727	\$ 4,107,482
Receivables - taxes	1,054,580	-	-	-	22,335	1,076,915
Receivables - other	209,407	579,377	5,601	-	142,148	936,533
Prepaid expenses	97,611	-	-	-	-	97,611
Due from other funds	1,041,456	18,221	44,519	-	227,424	1,331,620
Notes receivable	990,000	-	-	-	-	990,000
Restricted assets:						
Cash and cash equivalents	-	-	4,317,096	-	382,687	4,699,783
Cash held by fiscal agent	-	-	-	8,035,677	-	8,035,677
TOTAL ASSETS	\$ 4,749,650	\$ 702,757	\$ 4,367,216	\$ 8,035,677	\$ 3,420,321	\$ 21,275,621
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable and accrued expenses	\$ 883,116	\$ 191,236	\$ -	\$ 557,757	\$ 119,502	\$ 1,751,611
Due to other funds	271,943	208,750	-	-	636,530	1,117,223
Deferred revenue	32,927	174,871	-	-	-	207,798
Other liabilities	103,759	-	-	-	57,098	160,857
TOTAL LIABILITIES	1,291,745	574,857	-	557,757	813,130	3,237,489
FUND BALANCES						
Unreserved:						
Undesignated	2,370,294	-	-	-	704,582	3,074,876
Designated for capital projects	-	127,900	-	7,477,920	1,752,521	9,358,341
Designated for debt service	-	-	4,367,216	-	150,088	4,517,304
Reserved:						
Prepaid expenses	97,611	-	-	-	-	97,611
Notes receivable	990,000	-	-	-	-	990,000
TOTAL FUND BALANCES	3,457,905	127,900	4,367,216	7,477,920	2,607,191	18,038,132
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,749,650	\$ 702,757	\$ 4,367,216	\$ 8,035,677	\$ 3,420,321	\$ 21,275,621

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, 2010

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

Total fund balances - governmental funds		\$ 18,038,132
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		35,944,465
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.		404,855
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, 2010 were:		
Bonds, leases and notes payable	\$ (17,735,063)	
Deferred loss on advanced refunding	26,073	
Unamortized net premiums	(87,044)	
Unamortized net discounts	41,313	
Accrued interest	(118,747)	
Compensated absences	(225,682)	
Postemployment benefits other than pensions	(319,410)	
Total long-term liabilities	<u>(18,418,560)</u>	<u>(18,418,560)</u>
Net assets of governmental activities		<u><u>\$ 35,968,892</u></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, 2010

	<u>General</u>	<u>Other</u>	<u>1999 Bond</u>	<u>2009</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Funds</u>	<u>Fund</u>	<u>Capital</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Account</u>		<u>Project Bond</u>	<u>Funds</u>	<u>Funds</u>
REVENUES						
Taxes	\$ 12,473,153	\$ -	\$ 1,071,893	\$ -	\$ 577,683	\$ 14,122,729
Licenses and permits	2,510,612	-	-	-	25,854	2,536,466
Intergovernmental	360,046	1,593,252	-	-	926,148	2,879,446
Charges for services	815,959	-	-	-	-	815,959
Other revenues	447,550	1,475	-	-	72,608	521,633
Interest on investments	5,564	105	35,058	65	11,286	52,078
Total revenues	16,612,884	1,594,832	1,106,951	65	1,613,579	20,928,311
EXPENDITURES						
Current operations:						
General government	5,182,674	1,715,414	30	462,874	1,045,685	8,406,677
Public safety	7,264,409	-	-	1,867,688	135,421	9,267,518
Public service	1,915,630	-	-	734,629	-	2,650,259
Other	1,588,180	-	-	682,945	-	2,271,125
Debt service:						
Principal retirement	616,655	-	-	-	1,230,265	1,846,920
Interest charges	56,467	-	1,400	-	532,805	590,672
Bond issue costs	-	-	-	265,317	132,002	397,319
Total expenditures	16,624,015	1,715,414	1,430	4,013,453	3,076,178	25,430,490
Excess (deficiency) of revenues over (under) expenditures	(11,131)	(120,582)	1,105,521	(4,013,388)	(1,462,599)	(4,502,179)
OTHER FINANCING SOURCES						
(USES)						
Transfers in	401,299	194,677	15,070	-	1,739,959	2,351,005
Transfers out	(483,783)	-	(1,421,405)	(464,201)	(92,348)	(2,461,737)
Proceeds from issuance of bonds	-	-	-	12,000,000	5,785,000	17,785,000
Bond refunding	-	-	-	-	(5,610,000)	(5,610,000)
Bond premium	-	-	-	-	100,077	100,077
Bond discount	-	-	-	(44,491)	-	(44,491)
Total other financing sources (uses)	(82,484)	194,677	(1,406,335)	11,491,308	1,922,688	12,119,854
Net change in fund balances	(93,615)	74,095	(300,814)	7,477,920	460,089	7,617,675
FUND BALANCES - BEGINNING	3,551,520	53,805	4,668,030	-	2,147,102	10,420,457
FUND BALANCES - ENDING	\$ 3,457,905	\$ 127,900	\$ 4,367,216	\$ 7,477,920	\$ 2,607,191	\$ 18,038,132

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, 2010

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

Net change in fund balances - total governmental funds		\$ 7,617,675
Capital outlays, reported as expenditures in governmental funds, is shown as capital assets in the Statement of Net Assets.		5,338,149
Depreciation expense on governmental capital assets included in the governmental activities in the Statement of Activities.		(1,895,435)
The net effect of transactions involving donation of capital assets is to increase net assets.		33,780
Loan proceeds provide current financial resources to governmental funds; however, issuing debt decreases long-term liabilities in the Statement of Net Assets.		(17,785,000)
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	\$ 1,280,000	
Bond refunding	5,610,000	
Claims and judgments	150,000	
Capital leases	416,920	
Total repayments		7,456,920
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		5,713
Increases in long-term debt and related items that are not financial resources decrease net assets in the Statement of Net Assets.		
Accrued interest	(61,970)	
Post employment benefits other than pensions	(88,943)	
Total increases		(150,913)
Governmental funds report the effects of issuance costs, premiums, discounts, and similar items when debt is first issued whereas these amounts are deferred and amortized in the Statement of Activities.		
Bond issuance cost	397,319	
Bond premium	(100,077)	
Bond discount	44,491	
Amortization	(37,997)	
Reduction of expenses		303,736
Change in net assets of governmental activities		<u>\$ 924,625</u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2010

	<u>Inert Landfill</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 17,958
Receivables, net	<u>23,230</u>
Total current assets	<u>41,188</u>
CAPITAL ASSETS	
Land	104,913
Machinery and equipment	1,654,522
Improvements other than buildings	218,944
Less accumulated depreciation	<u>(1,105,607)</u>
Total capital assets, net of accumulated depreciation	<u>872,772</u>
TOTAL ASSETS	<u>913,960</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable and accrued expenses	3,447
Due to other funds	214,397
Capital lease obligation	<u>94,471</u>
Total current liabilities	<u>312,315</u>
NONCURRENT LIABILITIES	
Capital lease obligation	<u>206,847</u>
TOTAL LIABILITIES	<u>519,162</u>
NET ASSETS	
Invested in capital assets, net of related debt	358,665
Unrestricted	<u>36,133</u>
TOTAL NET ASSETS	<u>\$ 394,798</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, 2010

	<u>Inert Landfill</u>
OPERATING REVENUES	
Service fees	\$ 113,844
OPERATING EXPENSES	
Personnel	93,430
Repairs and maintenance	23,423
Other operating expenses	26,431
Depreciation	82,878
Professional services	3,854
Landfill closure cost	210,328
Total operating expenses	<u>440,344</u>
OPERATING LOSS	<u>(326,500)</u>
NONOPERATING REVENUES (EXPENSE)	
Interest income	48
Interest expense	(11,309)
Operating transfers in	110,732
Total nonoperating revenues (expense)	<u>99,471</u>
Change in net assets	(227,029)
TOTAL NET ASSETS - BEGINNING	<u>621,827</u>
TOTAL NET ASSETS - ENDING	<u><u>\$ 394,798</u></u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	<u>Inert Landfill</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 128,246
Payments to suppliers for goods and services	(375,458)
Payments to employees for services	(92,284)
Net cash used by operating activities	<u>(339,496)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	110,732
Net cash payments from other funds	210,302
Net cash provided by noncapital financing activities	<u>321,034</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(204,185)
Principal payments on capital lease obligation	(91,481)
Interest paid on lease obligation	(11,309)
Net cash used by capital and related financing activities	<u>(306,975)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(325,437)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>343,395</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 17,958</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	\$ (326,500)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Interest income	48
Depreciation expense	82,878
Decrease in accounts receivable	14,354
Decrease in accounts payable and accrued expenses	(110,276)
Net cash used by operating activities	<u><u>\$ (339,496)</u></u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA
STATEMENT OF NET ASSETS
FIDUCIARY FUND
SEPTEMBER 30, 2010

	<u>Agency Fund</u>
ASSETS	
Receivables - taxes	\$ 96,798
Receivables - other	<u>69,536</u>
TOTAL ASSETS	<u>166,334</u>
LIABILITIES	
Accounts payable	<u>166,334</u>
NET ASSETS	
Unrestricted	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

The City reports the following major governmental funds:

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

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.

2009 Capital Project Bond – This fund accounts for the acquisition of assets and construction of projects that are funded by the 2009 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, 2010

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, 2010, none of the City's bank balance of \$17,397,972 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, 2010 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	\$ 1,054,580	\$ -	\$ -	\$ 22,335	\$ -	\$ 1,076,915
Accounts	1,436,253	-	-	-	23,230	1,459,483
Intergovernmental	37,145	579,377	-	140,933	-	757,455
Interest	-	-	5,601	1,215	-	6,816
Gross receivables	<u>2,527,978</u>	<u>579,377</u>	<u>5,601</u>	<u>164,483</u>	<u>23,230</u>	<u>3,300,669</u>
Less allowance for uncollectible	<u>1,263,991</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,263,991</u>
Net total receivables	<u>\$ 1,263,987</u>	<u>\$ 579,377</u>	<u>\$ 5,601</u>	<u>\$ 164,483</u>	<u>\$ 23,230</u>	<u>\$ 2,036,678</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.

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
Year ending September 30:		
2011	\$ 75,000	\$ 40,102
2012	75,000	37,177
2013	80,000	34,075
2014	80,000	30,795
2015	85,000	27,413
2016 – 2020	485,000	78,400
2021	<u>110,000</u>	<u>2,420</u>
Total	<u>\$ 990,000</u>	<u>\$ 250,382</u>

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2010 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>
Governmental activities:						
Capital assets, not being depreciated:						
Land	\$ 2,428,185	\$ 162,700	\$ 2,590,885	\$ 33,780	\$ -	\$ 2,624,665
Construction in progress	<u>620,638</u>	<u>-</u>	<u>620,638</u>	<u>2,833,049</u>	<u>173,060</u>	<u>3,280,627</u>
Total capital assets, not being depreciated	<u>3,048,823</u>	<u>162,700</u>	<u>3,211,523</u>	<u>2,866,829</u>	<u>173,060</u>	<u>5,905,292</u>
Capital assets, being depreciated:						
Buildings	6,084,398	2,605,100	8,689,498	-	-	8,689,498
Improvements other than buildings	11,113,243	-	11,113,243	48,890	-	11,162,133
Infrastructure	38,870,144	-	38,870,144	214,394	-	39,084,538
Machinery and equipment	<u>8,760,996</u>	<u>-</u>	<u>8,760,996</u>	<u>2,414,876</u>	<u>-</u>	<u>11,175,872</u>
Total capital assets, being depreciated	<u>64,828,781</u>	<u>2,605,100</u>	<u>67,433,881</u>	<u>2,678,160</u>	<u>-</u>	<u>70,112,041</u>
Less accumulated depreciation for:						
Buildings	2,896,196	409,373	3,305,569	113,233	-	3,418,802
Improvements other than buildings	2,461,165	-	2,461,165	212,461	-	2,673,626
Infrastructure	26,116,535	-	26,116,535	861,111	-	26,977,646
Machinery and equipment	<u>6,294,164</u>	<u>-</u>	<u>6,294,164</u>	<u>708,630</u>	<u>-</u>	<u>7,002,794</u>
Total accumulated depreciation	<u>37,768,060</u>	<u>409,373</u>	<u>38,177,433</u>	<u>1,895,435</u>	<u>-</u>	<u>40,072,868</u>
Total capital assets, being depreciated, net	<u>27,060,721</u>	<u>2,195,727</u>	<u>29,256,448</u>	<u>782,725</u>	<u>-</u>	<u>30,039,173</u>
Governmental activities capital assets, net	<u>\$ 30,109,544</u>	<u>\$ 2,358,427</u>	<u>\$ 32,467,971</u>	<u>\$ 3,649,554</u>	<u>\$ 173,060</u>	<u>\$ 35,944,465</u>

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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
Capital assets, being depreciated:				
Improvements other than buildings	14,759	204,185	-	218,944
Machinery and equipment	<u>1,654,522</u>	<u>-</u>	<u>-</u>	<u>1,654,522</u>
Total capital assets, being depreciated	<u>1,669,281</u>	<u>204,185</u>	<u>-</u>	<u>1,873,466</u>
Less accumulated depreciation for:				
Improvements other than buildings	11,068	7,544	-	18,612
Machinery and equipment	<u>1,011,661</u>	<u>75,334</u>	<u>-</u>	<u>1,086,995</u>
Total accumulated depreciation	<u>1,022,729</u>	<u>82,878</u>	<u>-</u>	<u>1,105,607</u>
Total capital assets, being depreciated, net	<u>646,552</u>	<u>121,307</u>	<u>-</u>	<u>767,859</u>
Business-type activities capital assets, net	<u>\$ 751,465</u>	<u>\$ 121,307</u>	<u>\$ -</u>	<u>\$ 872,772</u>

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

Governmental Activities:	
General government	\$ 367,422
Public service	1,014,475
Public safety	459,821
Other	<u>53,717</u>
Total depreciation expense – governmental activities	<u>\$ 1,895,435</u>
Business-type Activities	<u>\$ 82,878</u>

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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, 2010 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	\$ -	\$ -	\$ 44,519	\$ 227,424	\$ 271,943
Other Funds Account	208,750	-	-	-	208,750
Nonmajor Governmental Funds	618,309	18,221	-	-	636,530
Inert Landfill	214,397	-	-	-	214,397
Total	\$ 1,041,456	\$ 18,221	\$ 44,519	\$ 227,424	\$ 1,331,620

Interfund Transfers:

<u>Transfer Out:</u>	<u>Transfer In:</u>					<u>Total</u>
	<u>General Fund</u>	<u>Other Funds Account</u>	<u>1999 Bond Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Inert Landfill</u>	
General Fund	\$ -	\$ 192,677	\$ -	\$ 291,106	\$ -	\$ 483,783
1999 Bond Fund	-	-	-	1,421,405	-	1,421,405
2009 Capital Project Bond	400,874	-	-	-	63,327	464,201
Nonmajor Governmental Funds	425	2,000	15,070	27,448	47,405	92,348
Total	\$ 401,299	\$ 194,677	\$ 15,070	\$ 1,739,959	\$ 110,732	\$ 2,461,737

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

7. LONG-TERM DEBT

Long-term debt activity for the year ended September 30, 2010, 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	\$ 6,670,000	\$ 17,785,000	\$ 6,890,000	\$ 17,565,000	\$ 1,425,000
Less deferred amounts:					
For issuance discounts	-	(44,491)	(3,178)	(41,313)	-
On refunding	-	(39,108)	(13,035)	(26,073)	-
Add deferred amounts:					
For issuance premiums	-	100,077	13,033	87,044	-
Total General City bonds and warrants	6,670,000	17,801,478	6,886,820	17,584,658	1,425,000
Capital leases	586,983	-	416,920	170,063	138,162
Claims and judgments	150,000	-	150,000	-	-
Compensated absences	231,395	225,682	231,395	225,682	225,682
Postemployment benefits other than pensions	231,467	280,226	191,283	320,410	192,283
	<u>\$ 7,869,845</u>	<u>\$ 18,307,386</u>	<u>\$ 7,876,418</u>	<u>\$ 18,300,813</u>	<u>\$ 1,981,127</u>
Business-type Activities:					
Capital lease	<u>\$ 392,799</u>	<u>\$ -</u>	<u>\$ 91,481</u>	<u>\$ 301,318</u>	<u>\$ 94,471</u>

Long-term debt payable at September 30, 2010 is comprised of the following:

General City Bonds and Warrants

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

Series 2005 General Obligation Warrants, interest at 3.3% to 4.4%	\$ 990,000
Series 2009 General Obligation Refunding Warrants, interest at 3.5% to 3.875%	4,495,000
Series 2009-A General Obligation Build America Bonds, interest at 3.0% to 5.5%	11,050,000
Series 2009-B General Obligation Refunding Bonds, interest at 3.5% to 4.0%	<u>1,030,000</u>
Total bonds and warrants	<u>\$ 17,565,000</u>

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

7. LONG-TERM DEBT (Continued)

General City Bonds and Warrants (Continued)

The annual debt service requirements to maturity, including principal and interest, for General City bonds and warrants as of September 30, 2010, are as follows:

	<u>Principal</u>	<u>Interest</u>
Year Ending September 30:		
2011	\$ 1,425,000	\$ 692,791
2012	1,460,000	650,778
2013	1,515,000	603,906
2014	1,570,000	550,758
2015	1,125,000	499,520
2016 - 2020	6,310,000	1,739,479
2021 - 2023	<u>4,160,000</u>	<u>308,563</u>
Total	<u>\$ 17,565,000</u>	<u>\$ 5,045,795</u>

Capital Leases

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

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Machinery and equipment	\$ 198,785	\$ 474,112
Automobiles	<u>247,950</u>	<u>-</u>
	446,735	474,112
Less accumulated depreciation	<u>241,833</u>	<u>47,411</u>
	<u>\$ 204,902</u>	<u>\$ 426,701</u>

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

7. LONG-TERM DEBT (Continued)

Capital Leases (Continued)

Governmental Activities

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	1,350
Capital lease obligation for telephone equipment dated August 29, 2008, payable in monthly installments of \$1,199, final payment due February 2012	19,296
Capital lease obligation for litter vacuums dated October 2, 2007, payable in monthly installments of \$1,912, final payment due November 2012	<u>47,234</u>
Total governmental activities capital leases	<u>\$ 170,064</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>\$ 301,318</u>
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The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2010, were as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Year ending September 30:		
2011	\$ 138,162	\$ 102,787
2012	28,099	102,787
2013	3,802	102,787
2014	<u>-</u>	<u>8,566</u>
Total minimum lease payments	170,063	316,927
Less amount representing interest	<u>6,758</u>	<u>15,609</u>
Present value of minimum lease payments	<u>\$ 163,305</u>	<u>\$ 301,318</u>

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

7. LONG-TERM DEBT (Continued)

Operating Leases

The City is obligated under operating lease agreements for copiers through November 30, 2015. The future minimum lease payments under these lease agreements are:

Year ending September 30:	
2011	\$ 37,625
2012	37,625
2013	37,625
2014	37,625
2015	<u>6,272</u>
Present value of minimum lease payments	<u>\$ 156,772</u>

Total rental expense for the above mentioned lease is \$39,016 for the year ended September 30, 2010.

Current Refunding

The City issued general obligation warrants in the amount of \$4,495,000 and general obligation bonds in the amount of \$1,290,000 during 2010 for a current refunding of certain existing debt in the amount of \$5,610,000. The refunding was undertaken to lower interest rates and extend debt maturity from 2015 to 2023. The reacquisition price exceeded the carrying amount of the old debt by \$39,108. This amount is being netted against the new debt and amortized over the remaining life of the old debt, which is shorter than the maturity date of the new debt. Due to the extended maturity dates, future debt service payments on the new debt are expected to exceed that of the old debt by \$796,578. The transaction resulted in an economic gain of \$165,673.

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.

8. EMPLOYEES' RETIREMENT PLAN (Continued)

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.

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, 2009), 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.

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

8. EMPLOYEES' RETIREMENT PLAN (Continued)

Contributions Required and Contributions Made (Continued)

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, 2009, the required employer contribution rate was 10.18% of annual covered compensation.

Annual Pension Cost

1. Current-Year Contribution Information

For the year ended September 30, 2010, the City's annual pension cost contributed by employees was \$436,704 and the City contributed \$704,909, or a total of \$1,141,613. Contributions were made in accordance with actuarially determined contribution requirements through an actuarial valuation performed at September 30, 2009.

2. Actuarial Assumptions and Methods

Valuation date	September 30, 2009
Actuarial cost method	Entry Age
Asset valuation method	5-Year Smoothed Market
Amortization method	Level Percent Open
Remaining amortization period	29 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%.

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

8. EMPLOYEES' RETIREMENT PLAN (Continued)

Annual Pension Cost (Continued)

2. Actuarial Assumptions and Methods (Continued)

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>
9/30/2007	\$ 665,491	100.0%	\$ -
9/30/2008	725,860	100.0	-
9/30/2009	725,905	100.0	-

3. Funding Status

The funding status of the plan as of the most recent actuarial valuation 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>
9/30/09	\$25,420,119	\$32,881,513	\$7,461,394	77.3%	\$7,715,121	96.7%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

9. RESERVED FUND BALANCE

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

Reserved Fund Balance	
General Fund:	
Prepaid expenses	\$ 97,611
Notes receivable	<u>990,000</u>
Total Reserved Fund Balance	<u>\$ 1,087,611</u>

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

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.

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

The beginning net assets of the Government-wide, Governmental Activities have been restated by \$2,358,427 to correct the understatement of capital assets.

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, 2010, the plan had approximately 268 active participants and 67 retired members and beneficiaries.

Funding Policy

The employer contributes \$269 for active participants and requires monthly contributions of \$53 from active participants who maintain single coverage and \$296 to \$544 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	62.50

Total member contributions were \$280,179 for active participants and \$73,174 for retirees and beneficiaries.

CITY OF SELMA, ALABAMA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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
Interest on net OPEB obligation	6,386
Adjustment to ARC	<u>(71,821)</u>
Annual OPEB cost	280,226
Contributions made	<u>(192,283)</u>
Increase in net OPEB obligation	87,943
Net OPEB obligation – beginning of year	<u>231,467</u>
Net OPEB obligation – end of year	<u>\$ 319,410</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 2010 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>
9/30/2008	*	*	*
9/30/2009	\$ 345,661	33%	\$ 231,467
9/30/2010	280,226	69%	319,410

* Information not available.

Funded Status and Funding Progress

As of October 1, 2009, 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 \$8,792,535, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 37.5%.

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funded Status and Funding Progress (Continued)

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%.

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). "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.

13. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Methods and Assumptions (Continued)

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 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.

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 postemployment 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 59, *Financial Instruments Omnibus*. This statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010.

GASB Statement Number 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement provides guidance on accounting and reporting for service concession arrangements. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2011.

GASB Statement Number 61, *The Financial Reporting Entity Omnibus*. This statement provides guidance on information presented about the financial reporting entity and its component units. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2012.

14. EFFECT OF NEW PRONOUNCEMENTS (Continued)

GASB Statement Number 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1998 FASB and AICPA Pronouncements*. This statement incorporates FASB, APB, and ARB pronouncements, not conflicting with GASB pronouncements, and issued on or before November 30, 1989, into the GASB authoritative literature. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2011.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SELMA, ALABAMA
EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA
SCHEDULE OF FUNDING PROGRESS

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date January 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/02	\$ 26,029,951	\$ 27,622,570	\$ 1,592,619	94.2%	\$ 8,832,798	18.0%
09/30/03	25,954,064	28,738,039	2,783,975	90.3%	8,994,565	31.0%
09/30/04	26,260,887	29,008,566	2,747,679	90.5%	8,461,591	32.5%
09/30/05	26,657,412	30,305,715	3,648,303	88.0%	8,212,780	44.4%
09/30/06	26,592,837	31,820,475	5,227,638	83.6%	8,282,361	63.1%
09/30/07	26,988,355	32,372,847	5,384,492	83.4%	8,532,424	63.1%
09/30/08	26,494,719	34,002,156	7,507,437	77.9%	9,158,651	82.0%
09/30/09	25,420,119	32,881,513	7,461,394	77.3%	7,715,121	96.7%

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

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
09/30/07	*	*	*	*	*	*
09/30/08	\$	-	\$ 3,297,967	\$ 3,297,967	0.0%	\$ 9,152,651 36.0%
09/30/09		-	3,297,967	3,297,967	0.0%	8,792,535 37.5%

* Information not available.

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 12,892,000	\$ 12,892,000	\$ 12,473,153	\$ (418,847)
Licenses and permits	2,722,200	2,722,200	2,510,612	(211,588)
Intergovernmental revenues	169,000	169,000	360,046	191,046
Charges for services	800,000	800,000	815,959	15,959
Other revenues	420,200	420,200	447,550	27,350
Interest on investments	7,600	7,600	5,564	(2,036)
Total revenues	<u>17,011,000</u>	<u>17,011,000</u>	<u>16,612,884</u>	<u>(398,116)</u>
EXPENDITURES				
Current operations:				
General government	5,226,116	5,237,726	5,182,674	55,052
Public safety	7,446,633	7,456,223	7,264,409	191,814
Public service	1,954,234	1,960,864	1,915,630	45,234
Other	1,759,667	1,795,045	1,588,180	206,865
Debt service:				
Principal retirement	169,000	169,000	616,655	(447,655)
Interest charges	-	-	56,467	(56,467)
Total expenditures	<u>16,555,650</u>	<u>16,618,858</u>	<u>16,624,015</u>	<u>(5,157)</u>
Excess of revenues over expenditures	<u>455,350</u>	<u>392,142</u>	<u>(11,131)</u>	<u>(403,273)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	401,299	401,299
Transfers out	(386,835)	(386,835)	(483,783)	(96,948)
Total other financing sources (uses)	<u>(386,835)</u>	<u>(386,835)</u>	<u>(82,484)</u>	<u>304,351</u>
Net change in fund balance	68,515	5,307	(93,615)	(98,922)
FUND BALANCES - BEGINNING	<u>3,551,520</u>	<u>3,551,520</u>	<u>3,551,520</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 3,620,035</u>	<u>\$ 3,556,827</u>	<u>\$ 3,457,905</u>	<u>\$ (98,922)</u>

See accompanying notes.

CITY OF SELMA, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	Special Revenue									
	State Lodging Tax	Revolving Loan Fund	Drug Enforcement Unit	Alabama Trust Fund	Awarded Drug Unit Fund	SPD Sundry Account	Municipal Court	Fire Department Sundry	Summer Food Program	
ASSETS										
Cash and cash equivalents	\$ 226,361	\$ 48,114	\$ 15,978	\$ 483,253	\$ 11,532	\$ 890	\$ -	\$ 287	\$ -	
Receivables - taxes	-	-	-	-	-	-	-	-	-	
Receivables - other	-	-	-	-	-	-	-	-	-	
Due from other funds	61,263	-	2,980	-	-	-	-	-	-	50,199
Restricted assets:										
Cash and cash equivalents	-	-	-	-	-	-	73,328	-	-	-
TOTAL ASSETS	\$ 287,624	\$ 48,114	\$ 18,958	\$ 483,253	\$ 11,532	\$ 890	\$ 73,328	\$ 287	\$ 50,199	
LIABILITIES										
Accounts payable and accrued expenses	\$ 14,312	\$ -	\$ 296	\$ -	\$ 305	\$ -	\$ -	\$ -	\$ -	
Due to other funds	-	-	-	9,642	-	-	-	-	-	
Other liabilities	-	-	15,978	-	-	-	41,120	-	-	
TOTAL LIABILITIES	14,312	-	16,274	9,642	305	-	41,120	-	-	
FUND BALANCES										
Unreserved:										
Undesignated	273,312	48,114	2,684	-	11,227	890	32,208	287	50,199	
Designated for capital projects	-	-	-	473,611	-	-	-	-	-	
Designated for debt service	-	-	-	-	-	-	-	-	-	
TOTAL FUND BALANCES	273,312	48,114	2,684	473,611	11,227	890	32,208	287	50,199	
TOTAL LIABILITIES AND FUND BALANCES	\$ 287,624	\$ 48,114	\$ 18,958	\$ 483,253	\$ 11,532	\$ 890	\$ 73,328	\$ 287	\$ 50,199	

See accompanying notes.

CITY OF SELMA, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	Special Revenue									
	Americorp Digital Divide	St. James Hotel Project	Planning and Development	Weed and Seed	Community Reinvestment	Brownsfield Grant	U&C FHI	Firefighter Grant	Selma Dallas Prevention	
ASSETS										
Cash and cash equivalents	\$ 78,794	\$ 13,739	\$ 29,437	\$ 13,318	\$ 142,125	\$ 87,336	\$ -	\$ 29,409	\$ -	
Receivables - taxes	-	-	-	-	-	-	-	-	-	
Receivables - other	58,318	-	1,475	-	-	-	-	81,140	-	
Due from other funds	-	-	-	-	8,179	-	400	-	45,071	
Restricted assets:										
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	
TOTAL ASSETS	\$ 137,112	\$ 13,739	\$ 30,912	\$ 13,318	\$ 150,304	\$ 87,336	\$ 400	\$ 110,549	\$ 45,071	
LIABILITIES										
Accounts payable and accrued expenses	\$ 12,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,653	\$ -	
Due to other funds	71,832	134	18,221	14,197	-	55,862	-	81,370	-	
Other liabilities	-	-	-	-	-	-	-	-	-	
TOTAL LIABILITIES	\$ 84,232	\$ 134	\$ 18,221	\$ 14,197	\$ -	\$ 55,862	\$ -	\$ 104,023	\$ -	
FUND BALANCES										
Unreserved:										
Undesignated	52,880	13,605	12,691	(879)	150,304	31,474	400	6,526	45,071	
Designated for capital projects	-	-	-	-	-	-	-	-	-	
Designated for debt service	-	-	-	-	-	-	-	-	-	
TOTAL FUND BALANCES	\$ 52,880	\$ 13,605	\$ 12,691	\$ (879)	\$ 150,304	\$ 31,474	\$ 400	\$ 6,526	\$ 45,071	
TOTAL LIABILITIES AND FUND BALANCES	\$ 137,112	\$ 13,739	\$ 30,912	\$ 13,318	\$ 150,304	\$ 87,336	\$ 400	\$ 110,549	\$ 45,071	

See accompanying notes.

CITY OF SELMA, ALABAMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	Special Revenue				Debt Service			Capital Projects			Total Nonmajor Governmental Funds
	Good Samaritan	Municipal Aid	1996 Refunding Warrants	Public Building Authority	2003 Warrant Debt Service	2009 Refunding Warrant	1999		Major Project		
							Bond	Capital Project			
ASSETS											
Cash and cash equivalents	\$ 33	\$ 1,447,096	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,025	\$ -	\$ 2,645,727
Receivables - taxes	-	22,335	-	-	-	-	-	-	-	-	22,335
Receivables - other	-	1,215	-	-	-	-	-	-	-	-	142,148
Due from other funds	-	-	-	-	-	59,332	-	-	-	-	227,424
Restricted assets:											
Cash and cash equivalents	-	-	147,916	30,103	4,162	83,440	43,738	-	-	-	382,687
TOTAL ASSETS	\$ 33	\$ 1,470,646	\$ 147,916	\$ 30,103	\$ 4,162	\$ 142,772	\$ 43,738	\$ 18,025	\$ 18,025	\$ 3,420,321	
LIABILITIES											
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,536	\$ -	\$ -	\$ -	\$ -	\$ 119,502
Due to other funds	26,444	217,874	105,329	-	-	-	35,625	-	-	-	636,530
Other liabilities	-	-	-	-	-	-	-	-	-	-	57,098
TOTAL LIABILITIES	26,444	217,874	105,329	-	-	69,536	35,625	-	-	-	813,130
FUND BALANCES											
Unreserved:											
Undesignated	(26,411)	-	-	-	-	-	-	-	-	-	704,582
Designated for capital projects	-	1,252,772	-	-	-	-	8,113	-	18,025	-	1,752,521
Designated for debt service	-	-	42,587	30,103	4,162	73,236	-	-	-	-	150,088
TOTAL FUND BALANCES	(26,411)	1,252,772	42,587	30,103	4,162	73,236	8,113	18,025	18,025	2,607,191	
TOTAL LIABILITIES AND FUND BALANCES	\$ 33	\$ 1,470,646	\$ 147,916	\$ 30,103	\$ 4,162	\$ 142,772	\$ 43,738	\$ 18,025	\$ 18,025	\$ 3,420,321	

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, 2010

	Special Revenue									
	State Lodging Tax	Revolving Loan Fund	Drug Enforcement Unit	Alabama Trust Fund	Awarded Drug Unit Fund	SPD Sundry Account	Municipal Court	Fire Department Sundry	Summer Food Program	
REVENUES										
Taxes	\$ 334,322	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	136,726	-	-	-	-	-	154,172
Other revenues	-	-	10,507	-	28,673	154	32,750	524	-	-
Interest on investments	209	10	9	391	11	-	-	-	-	-
Total revenues	334,531	10	10,516	137,117	28,684	154	32,750	524	-	154,172
EXPENDITURES										
Current operations:										
General government	312,150	2,056	-	69,549	-	-	-	-	-	140,068
Public safety	-	-	-	-	17,457	243	117	237	-	-
Debt service:										
Principal retirement	-	-	-	-	-	-	-	-	-	-
Interest charges	-	-	-	-	-	-	-	-	-	-
Bond issue costs	-	-	-	-	-	-	-	-	-	-
Total expenditures	312,150	2,056	-	69,549	17,457	243	117	237	-	140,068
Excess of revenues over (under) expenditures	22,381	(2,046)	10,516	67,568	11,227	(89)	32,633	287	-	14,104
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(425)	-	-	-
Proceeds from issuance of bonds	-	-	-	-	-	-	-	-	-	-
Bond refunding	-	-	-	-	-	-	-	-	-	-
Bond premium	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	(425)	-	-	-
Net change in fund balances	22,381	(2,046)	10,516	67,568	11,227	(89)	32,208	287	-	14,104
FUND BALANCES - BEGINNING	250,931	50,160	(7,832)	406,043	-	979	-	-	-	36,095
FUND BALANCES - ENDING	\$ 273,312	\$ 48,114	\$ 2,684	\$ 473,611	\$ 11,227	\$ 890	\$ 32,208	\$ 287	\$	\$ 50,199

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, 2010

	Special Revenue									
	Americorp Digital Divide	St. James Hotel Project	Planning and Development	Weed and Seed	Community Reinvestment	Brownsfield Grant	U&C FHI	Firefighter Grant	Selma Dallas Prevention	
REVENUES										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Licenses and permits	-	-	-	-	-	-	-	-	-	
Intergovernmental	319,218	-	1,475	-	25,280	12,000	113,014	-	-	
Other revenues	-	-	-	-	-	-	-	-	-	
Interest on investments	-	12	48	-	269	-	-	-	-	
Total revenues	319,218	12	1,523	-	25,549	12,000	113,014	-	-	
EXPENDITURES										
Current operations:										
General government	413,853	1,015	7,500	-	-	901	-	-	-	
Public safety	-	-	-	84	-	-	117,283	-	-	
Debt service:										
Principal retirement	-	-	-	-	-	-	-	-	-	
Interest charges	-	-	-	-	-	-	-	-	-	
Bond issue costs	-	-	-	-	-	-	-	-	-	
Total expenditures	413,853	1,015	7,500	84	-	901	117,283	-	-	
Excess of revenues over (under) expenditures	(94,635)	(1,003)	(5,977)	(84)	25,549	11,099	(4,269)	-	-	
OTHER FINANCING SOURCES (USES)										
Transfers in	155,651	-	-	-	-	-	10,742	-	-	
Transfers out	-	-	-	-	(2,000)	-	-	-	-	
Proceeds from issuance of bonds	-	-	-	-	-	-	-	-	-	
Bond refunding	-	-	-	-	-	-	-	-	-	
Bond premium	-	-	-	-	-	-	-	-	-	
Total other financing sources (uses)	155,651	-	-	-	(2,000)	-	10,742	-	-	
Net change in fund balances	61,016	(1,003)	(5,977)	(84)	23,549	11,099	6,473	-	-	
FUND BALANCES - BEGINNING	(8,136)	14,608	18,668	(795)	126,755	20,375	400	53	45,071	
FUND BALANCES - ENDING	\$ 52,880	\$ 13,605	\$ 12,691	\$ (879)	\$ 150,304	\$ 31,474	\$ 400	\$ 6,526	\$ 45,071	

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, 2010

	Special Revenue			Debt Service			Capital Projects			Total Nonmajor Governmental Funds
	Good Samaritan	Municipal Aid	1996 Refunding Bonds	Public Building Authority	2003 Warrant Debt Service	2009 Refunding Warrant	1999 Bond Capital Project	Major Project		
REVENUES										
Taxes	\$ -	\$ 243,361	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 577,683	
Licenses and permits	-	25,854	-	-	-	-	-	-	25,854	
Intergovernmental	-	-	20,293	-	-	115,970	-	28,000	926,148	
Other revenues	-	-	-	-	-	-	-	-	72,608	
Interest on investments	-	9,839	377	75	22	-	14	-	11,286	
Total revenues	-	279,054	20,670	75	22	115,970	14	28,000	1,613,579	
EXPENDITURES										
Current operations:										
General government	18,860	50,870	15	-	-	-	-	28,848	1,045,685	
Public safety	-	-	-	-	-	-	-	-	135,421	
Debt service:										
Principal retirement	-	20,265	-	-	-	1,210,000	-	-	1,230,265	
Interest charges	-	2,681	1,042	-	-	529,082	-	-	532,805	
Bond issue costs	-	-	-	-	-	132,002	-	-	132,002	
Total expenditures	18,860	73,816	1,057	-	-	1,871,084	-	28,848	3,076,178	
Excess of revenues over (under) expenditures	(18,860)	205,238	19,613	75	22	(1,755,114)	14	(848)	(1,462,599)	
OTHER FINANCING SOURCES (USES)										
Transfers in	-	-	5,223	-	-	1,568,343	-	-	1,739,959	
Transfers out	-	(47,405)	(27,448)	-	-	(15,070)	-	-	(92,348)	
Proceeds from issuance of bonds	-	-	-	-	-	5,785,000	-	-	5,785,000	
Bond refunding	-	-	-	-	-	(5,610,000)	-	-	(5,610,000)	
Bond premium	-	-	-	-	-	100,077	-	-	100,077	
Total other financing sources (uses)	-	(47,405)	(22,225)	-	-	1,828,350	-	-	1,922,688	
Net change in fund balances	(18,860)	157,833	(2,612)	75	22	73,236	14	(848)	460,089	
FUND BALANCES - BEGINNING	(7,551)	1,094,939	45,199	30,028	4,140	-	8,099	18,873	2,147,102	
FUND BALANCES - ENDING	\$ (26,411)	\$ 1,252,772	\$ 42,587	\$ 30,103	\$ 4,162	\$ 73,236	\$ 8,113	\$ 18,025	\$ 2,607,191	

See accompanying notes.

CITY OF SELMA, ALABAMA
COMPUTATION OF LEGAL DEBT MARGIN
SEPTEMBER 30, 2010

Assessed Value		<u>\$ 143,977,540</u>
Legal Debt Margin		
Debt Limitation - 20 Percent of Assessed Value		28,795,508
Debt Applicable to Limitation:		
Long-term Bonded Debt Including Capital Leases	\$ 18,036,381	
Less: Debt attributable to the construction of schoolhouses	(990,000)	
Less: Amount Available for Repayment of General Obligation Debt	<u>(4,499,277)</u>	
Total Debt Applicable to Limitation		<u>12,547,104</u>
Legal Debt Margin		<u>\$ 16,248,404</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, 2010

<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	\$ 18,036,381 (a)	100.00%	\$ 18,036,381
Overlapping			
Dallas County:			
General obligations including capital leases	<u>11,922,047</u>	37.80%	<u>4,506,534</u>
Total	<u><u>\$ 29,958,428</u></u>		<u><u>\$ 22,542,915</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.