

CITY OF SELMA, ALABAMA

A-133

SEPTEMBER 30, 2015

**CITY OF SELMA, ALABAMA
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 10, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item FS-2015-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs as items FS-2015-002 to be significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Selma, Alabama Response to Findings

The City’s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Montgomery, Alabama
May 10, 2016

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited City of Selma's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended September 30, 2015. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2015.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Selma's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the City as of and for the year ended September 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated May 10, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Warren Averett, LLC

Montgomery, Alabama
May 10, 2016

**CITY OF SELMA, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Total Expended</u>
Federal Awards:			
U.S. Department of the Interior			
<u>Passed through the Alabama Historical Commission:</u>			
Historic Preservation Fund Grants-In-Aid	15.904	AL-14-031	\$ 11,520
Department of Housing and Urban Development			
<u>Direct Programs:</u>			
Affordable Housing Development in Main Street Rejuvenation Projects	14.878	AL09CNM36701M13	10,375
<u>Passed through Alabama Department of Economic and Community Affairs:</u>			
Community Development Block Grants/Entitlement Grants	14.218	LR-CE-PF-10-014	250,000
Total Department of Housing and Urban Development			260,375
Department of Agriculture			
<u>Passed through Alabama Department of Education:</u>			
Summer Food Service Program for Children	10.559	AFK-000	161,283
U.S. Bureau of Justice Assistance			
<u>Passed through Alabama Department of Economic and Community Affairs:</u>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-H2327-AL-DJ	13,359
Corporation for National and Community Service			
<u>Passed through the Governor's Office on National and Community Services:</u>			
Americorps Recovery	94.006	11AFHAL0010004	265,335
Total Federal Awards			\$ 711,872

See independent auditors' report on compliance for each major federal program; report on internal control over compliance; and report on the schedule of expenditures of federal awards required by OMB Circular A-133.

CITY OF SELMA, ALABAMA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

1. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Selma, Alabama and is presented on the accrual basis of accounting. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the related liability is incurred. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some of the amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the financial statements.

2. REPORTING ENTITY

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

See independent auditors' report on compliance for each major federal program; report on internal control over compliance; and report on the schedule of expenditures of federal awards required by OMB Circular A-133.

**CITY OF SELMA, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statement Section

Type of auditors’ report issued:	Unmodified	
	<u>Yes</u>	<u>No</u>
Internal control over financial reporting:		
Material weakness(es) identified?	X	
Significant deficiencies identified that are not considered to be material weaknesses?	X	
Noncompliance material to financial statements noted?		X

Federal Awards Section

	<u>Yes</u>	<u>No</u>
Internal control over major programs:		
Material weakness(es) identified?		X
Significant deficiencies identified that are not considered to be material weaknesses?		None reported
Type of auditors’ report on compliance for major programs:	Unmodified	
	<u>Yes</u>	<u>No</u>
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?		X

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.218	Community Development Block Grants/Entitlement Grants
94.006	Americorps Recovery

Dollar threshold used to determine Type A programs:	\$ 300,000	
	<u>Yes</u>	<u>No</u>
Auditee qualified as low-risk auditee?		X

**CITY OF SELMA, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

SECTION II – FINANCIAL STATEMENT FINDINGS SECTION

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Material Weakness identified

Finding FS-2015-001 Reconciliation of Inter-Fund Accounts

Observation: It was noted that the City did not reconcile the “Due To/From” or the “Transfer In/Out” accounts during the year.

Recommendation: All inter-fund accounts should be reconciled on a monthly basis. It is further recommended that the City evaluate all balances and determine which items represent actual inter-fund amounts.

Management’s Response:

The Finance Department is currently working to reconcile the “Due To/From” and “Transfer In/Out” accounts. There are some items will be reconciled as a result of Inert/Landfill transferring from an enterprise fund to the general fund.

Significant Deficiencies identified

Finding FS-2015-002 Retirement Contributions

Observation: The City currently pays for a portion of the insurance premiums for all retired employees, and the retirees are responsible for submitting their portion of the premiums to the City on a monthly basis. During the course of our audit, it was noted that the City does not have a system currently in place to track the retirees’ portion of health insurance premiums that should be paid by the retirees each month, thus verifying that all retirees are current in paying their portion of the health insurance premium.

Recommendation: The City should implement a monthly process to confirm that each retiree’s portion of health insurance premiums are being submitted to the City in a timely manner.

Management’s Response: The City concurs that a procedure should be in place to ensure that retiree’s portion of health insurance premiums are received in a timely manner. We are currently working to modify the current procedure to insure the collections of retirees’ premium in a timely manner. Once the procedure is established it will be effective immediately.

**CITY OF SELMA, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

This section identifies significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, related to the audit of major federal programs, as required to be reported by OMB Circular A-133 Section 510.

None noted

SECTION IV – SUMMARY OF PRIOR YEAR AUDIT FINDINGS

None noted