

**CITY OF SEMMES, ALABAMA**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2017**

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**CITY OF SEMMES, ALABAMA**  
**GOVERNING BODY**  
**September 30, 2017**

Name	Title
David Baker	Mayor
Harold Lee Lawshe	Council Member
Lawrence Webb	Council Member
Charlie Watts	Council Member
Howard Smith	Council Member
Terry Platt	Council Member



## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the general fund of the City of Semmes, Alabama, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Semmes, Alabama's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the City of Semmes, Alabama, as of September 30, 2017, and the respective changes in financial position in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 19 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Mobile, Alabama  
May 10, 2018

*Smith, Duke & Buckalew, L.L.P.*

## **FINANCIAL STATEMENTS**

**CITY OF SEMMES, ALABAMA**  
**STATEMENT OF NET POSITION**  
**September 30, 2017**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 6,641,094
Receivables	612,190
Prepaid expenses	6,141
Capital assets not being depreciated:	
Land	1,037,149
Capital assets net of accumulated depreciation:	
Infrastructure	1,934,533
Buildings and improvements	1,289,085
Furniture and fixtures	35,140
Equipment	786,395
Vehicles	57,609
Total assets	<u>\$ 12,399,336</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 117,814
Other accrued liabilities	49,156
Capital lease obligations - due within one year	25,916
Long-term liabilities:	
Capital lease obligations - due in more than one year	49,446
Compensated absences	44,403
Total liabilities	<u>286,735</u>
<b>NET POSITION</b>	
Net investment in capital assets	5,064,549
Restricted net position - capital projects	640,333
Unrestricted net position	6,407,719
Total net position	<u>\$ 12,112,601</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF SEMMES, ALABAMA**

**STATEMENT OF ACTIVITIES**

**September 30, 2017**

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 970,502	\$ 164,834	\$ -	\$ -
Public safety	2,714,673	-	-	656,702
Public works	1,113,883	-	-	-
Planning	150,521	-	-	-
Parks and recreation	115,663	-	-	-
Interest on long-term debt	-	-	-	-
Total governmental activities	5,065,242	164,834	-	656,702

**General revenues**

Taxes:

Sales taxes

Business license

Motor fuel taxes

Beer and wine taxes

Franchise fees

Capital contribution - Volunteer Fire Department

Miscellaneous revenue

Total general revenues, special items, and transfers

Change in net position

Net position - October 1, 2016

Net position - September 30, 2017

The accompanying notes to financial statements are an integral part of this statement.

Net (Expenses)  
Revenues and  
Changes in Net Assets

Governmental  
Activities

\$	(805,668)
	(2,057,971)
	(1,113,883)
	(150,521)
	(115,663)
	-
	<u>(4,243,706)</u>

	5,351,076
	211,224
	78,847
	56,683
	494,509
	91,808
	81,858
	<u>6,366,005</u>
	2,122,299
	9,990,302
\$	<u><u>12,112,601</u></u>

**CITY OF SEMMES, ALABAMA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2017**

	<u>General Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,641,094	\$ 6,641,094
Accounts receivable, net	612,190	612,190
Prepaid expenses	6,141	6,141
Total assets	<u>\$ 7,259,425</u>	<u>\$ 7,259,425</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 117,814	\$ 117,814
Other liabilities	49,156	49,156
Total liabilities	<u>\$ 166,970</u>	<u>\$ 166,970</u>
<b>FUND BALANCES</b>		
Nonspendable	\$ 6,141	\$ 6,141
Restricted for:		
Capital improvements	640,333	640,333
Committed	1,536,662	1,536,662
Unassigned	4,909,319	4,909,319
Total fund balances	<u>\$ 7,092,455</u>	<u>\$ 7,092,455</u>
Total liabilities and fund balances	<u><u>\$ 7,259,425</u></u>	<u><u>\$ 7,259,425</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF SEMMES, ALABAMA**

**RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
September 30, 2017**

Total fund balance, governmental funds \$ 7,092,455

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Governmental capital assets	6,504,573	
Less accumulated depreciation	<u>(1,364,662)</u>	5,139,911

Long-term liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

Capital lease payable	(75,362)	
Compensated absences	<u>(44,403)</u>	<u>(119,765)</u>

Net position of governmental activities in the Statement of Net Position	<u>\$ 12,112,601</u>
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The accompanying notes to financial statements are an integral part of this statement.



**CITY OF SEMMES, ALABAMA**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
September 30, 2017**

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Revenues		
Taxes	\$ 5,486,606	\$ 5,486,606
Licenses and permits	835,223	835,223
Fines and forfeitures	35,344	35,344
Federal grant revenues	656,702	656,702
Intergovernmental revenues	26,997	26,997
Interest income	9,551	9,551
Other	45,310	45,310
Total revenues	<u>7,095,733</u>	<u>7,095,733</u>
Expenditures		
Current:		
General government	911,129	911,129
Public safety	2,475,558	2,475,558
Public works	952,023	952,023
Planning	149,567	149,567
Parks and recreation	90,274	90,274
Capital outlay expenditures	2,044,435	2,044,435
Total expenditures	<u>6,622,986</u>	<u>6,622,986</u>
Excess revenues over expenditures	472,747	472,747
Fund balances - October 1, 2016	<u>6,619,708</u>	<u>6,619,708</u>
Fund balances - September 30, 2017	<u>\$ 7,092,455</u>	<u>\$ 7,092,455</u>

The accompanying notes to financial statements are an integral part of this statement.

**CITY OF SEMMES, ALABAMA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
September 30, 2017**

Net change in fund balances - total governmental funds: \$ 472,747

Amounts reported for governmental activities in the Statement of  
Activities are different because:

Governmental funds report capital outlays as expenditures while  
governmental activities report depreciation expense to allocate  
those expenditures over the life of the assets.

Expenditures for capital assets	2,005,557	
Less current year depreciation	<u>(430,755)</u>	1,574,802

Governmental funds do not report the gain on contributed assets.  
In contrast, the Statement of Activities reports on the acquisition of  
the contributed assets.

Contributed assets		91,808
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Some expenses reported in the Statement of Activities do not  
require the use of current financial resources and these are not  
reported as expenditures in governmental funds.

Change in compensated absences	(44,403)	
Payment on capital lease	<u>27,345</u>	<u>(17,058)</u>

Change in net position of governmental activities		<u><u>\$ 2,122,299</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Reporting entity**

The City of Semmes, Alabama (the City) was incorporated in Mobile County on May 2, 2011. The City operates under a Mayor-Council form of government. The City's major operations include general administrative service, public safety, public works, planning, and parks and recreation.

#### **Basis of presentation - government-wide and fund accounting**

The statement of net position and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. These statements distinguish between the governmental and business-type activities of the City. The City does not have any business-type activities; therefore, none will be reflected in the financial statements. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues 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 and 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.

The fund financial statements follow and report additional and detailed information about operations for major funds individually and nonmajor funds in the aggregate for governmental funds. All governmental funds of the City have been classified as major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations.

The City reports the following major governmental fund:

*General Fund* - This is the City's operating fund. It accounts for all financial resources of the general government.



## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Measurement focus, basis of accounting, and financial statement presentation**

*Government-wide financial statements* - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flows take place. 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* - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, 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, which is considered to be 90 days. There are no ad valorem taxes levied by the City of Semmes. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

### **Stewardship, compliance, and accountability**

The City adopts a budget for the general fund. The budget for the general fund is adopted on the cash basis which differs from accounting principles generally accepted in the United States of America (GAAP). Reconciliation of revenues and expenditures reported in accordance with GAAP and those presented in accordance with the Non-GAAP budgetary basis is shown in the supplementary schedule comparing budget to actual information.

For the year ended September 30, 2017, two of the general fund revenues categories (the legal level of budgetary control) did not reflect the revenue appropriated and three of general fund functional expenditure categories (the legal level of budgetary control) exceeded appropriations. Overall revenue exceeded the appropriated amount; however, the revenue earned was not classified as budgeted. The excess expenditures were due to additional capital outlay that was not budgeted along with grant revenues that were netted with capital outlay expenditures within the budget.

### **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.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Cash and cash equivalents**

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

### **Receivables**

Accounts receivable include amounts for taxes, licenses, permits, etc., that are measurable and available to pay liabilities of the current period but have not been received as of the financial statement date.

### **Lease Obligations**

Capital lease obligations are stated at the original fair value of leased assets capitalized, less payments since 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.

### **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 \$5,000. 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:

<b>Asset Class</b>	<b>Estimated Useful Lives</b>
Infrastructure	50 years
Buildings and improvements	40 years
Furniture and fixtures	5 - 20 years
Equipment	5 - 20 years
Vehicles	5 years

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Net Position

In accordance with Governmental Accounting Standards Board Statement No. 63, the City classifies net position as follows:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) the City's own laws through its enabling legislation and other provisions of its laws and regulations.

Unrestricted net position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

The City uses restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

### Fund balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies government fund balances as follows:

Non-spendable - Includes fund balance amounts that cannot be spent either because it is not in spendable form, or for legal or contractual requirements.

Restricted - Includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed - Includes fund balance amounts that can be used only for the specific purposes that are internally imposed by formal action of the government's highest level of decision making authority. Commitments may be modified or rescinded by the government taking the same formal action that imposed the constraint initially. Committed balances have been created by formal action of the City Council by passage of ordinances, which is an action that is deemed equivalent as a binding constraint.



## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Fund balance (continued)**

Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. This indicates that resources in these funds are, at a minimum, intended to be used for the purposes of that fund.

Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

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

### **Deferred outflows of resources**

Decreases in net position that relate to future periods are reported as deferred outflows of resources in a separate section of the government-wide statement of net position and/or governmental fund balance sheet. The City did not have any resources during the year ended September 30, 2017 that qualify as deferred outflows.

### **Deferred inflows of resources**

Increases in net position that apply to a future period(s) are reported as deferred inflows of resources in a separate section of the government-wide statement of net position and or governmental fund balance sheet. The City did not have any resources during the year ended September 30, 2017 that qualify as deferred inflows.



## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Compensated absences**

The City follows Governmental Accounting Standards Board Statement No. 16, *Accounting For Compensated Absences*, which requires that accrued liabilities for future vacations and sick leaves be recorded to the extent the future leaves (1) relate to rights attributable to employee services already rendered, (2) relate to rights that vest or accumulate, (3) where payment is probable and (4) where amounts can be reasonably estimated. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements. In the fund financial statements, amounts that would normally be paid with expendable available financial resources are recorded in the General Fund. Amounts paid or payable within 60 days are deemed to be payable from expendable financial resources.

## **NOTE 2 - CASH AND CASH EQUIVALENTS**

As of September 30, 2017, none of the City's bank balances are 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 institution collateral pool administered by the State Treasurer according to the State of Alabama statute.

## **NOTE 3 - RECEIVABLES**

Receivables as of September 30, 2017 are considered fully collectible and are recorded at net realizable value. Receivables consist of \$490,845 of taxes receivable and \$121,345 of federal grant revenues receivable.

#### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017, was as follows:

	<b>Beginning Balances</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balances</b>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,037,149	\$ -	\$ -	\$ 1,037,149
Construction in progress	77,159	13,457	(90,616)	-
Total capital assets, not being depreciated	1,114,308	13,457	(90,616)	1,037,149
Capital assets, being depreciated:				
Infrastructure	550,967	1,434,771	-	1,985,738
Buildings and improvements	1,346,972	117,429	-	1,464,401
Furnitures and fixtures	66,303	-	-	66,303
Equipment	1,085,355	613,139	(6,639)	1,691,855
Vehicles	250,377	10,750	(2,000)	259,127
Total capital assets, being depreciated	3,299,974	2,176,089	(8,639)	5,467,424
Less accumulated depreciation for:				
Infrastructure	19,490	31,715	-	51,205
Buildings and improvements	103,384	71,932	-	175,316
Furnitures and fixtures	21,304	9,859	-	31,163
Equipment	646,174	265,593	(6,307)	905,460
Vehicles	150,629	51,656	(767)	201,518
Total accumulated depreciation	940,981	430,755	(7,074)	1,364,662
Total capital assets, being depreciated, net	2,358,993	1,745,334	(1,565)	4,102,762
Governmental activity capital assets, net	\$ 3,473,301	\$ 1,758,791	\$ (92,181)	\$ 5,139,911

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

<b>Governmental Activities</b>	<b>Amount</b>
General government	\$ 47,829
Public safety	207,088
Public works	152,952
Planning	323
Parks and recreation	22,563
Total	\$ 430,755

## NOTE 5 - LONG-TERM LIABILITIES

Activity for long-term liabilities for the year ended September 30, 2017, were as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within One Year</u>
Governmental activities:					
Capital leases	\$ 102,707	\$ -	\$ (27,345)	\$ 75,362	\$ 25,916
Compensated Absences	37,432	44,198	(37,227)	44,403	-
	<u>\$ 140,139</u>	<u>\$ 44,198</u>	<u>\$ (64,572)</u>	<u>\$ 119,765</u>	<u>\$ 25,916</u>

The City has entered into lease agreements as lessee for financing the acquisition of property and equipment. The 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>Asset</u>	
Equipment	\$ 180,320
Less: accumulated depreciation	(151,466)
Total	<u>\$ 28,854</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017, were as follows:

Year ending September 30:	
2018	\$ 27,350
2019	52,251
Total minimum lease payments	<u>\$ 79,601</u>
Less amount representing interest	4,239
Present value of minimum lease payments	<u>\$ 75,362</u>

### Operating lease

The City is obligated under an operating lease for the City Hall and Council Chambers through April 2019. The lease is for \$1,550 per month and was renewed in April 2016 to \$2,500 per month. Total rental expense for this operating lease is \$30,000 for the year ended September 30, 2017.

## **NOTE 5 - LONG-TERM LIABILITIES (CONTINUED)**

### **Operating lease (Continued)**

The future minimum rentals on non-cancelable lease payments as of September 30, 2017 are:

Year ending September 30:	
2018	\$ 30,000
2019	17,500
	<u>\$ 47,500</u>

## **NOTE 6 - RELATED PARTIES**

The City supports various clubs, parks, and auxiliaries. Certain council member spouses are members of the Semmes Senior Center and the Semmes Heritage Park. In 2017, the City paid approximately \$20,000 and \$13,020, respectively, to the Semmes Senior Center (Resolution 2016-66) and Semmes Heritage Park (Resolution 2016-67).

## **NOTE 7 - 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 has general liability insurance and workers compensation insurance through a commercial insurance carrier. The City also purchases commercial insurance for other risks of loss, including property and casualty insurance. Settled claims resulting from these claims have not exceeded commercial insurance coverage in any of the past three years.

## **NOTE 8 - 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. It is the opinion of the City that such disallowances, if any, would be immaterial.

## **NOTE 9 - CONCENTRATIONS**

The City has outsourced the collection of its sales tax and business license revenues to a third party. During the year ended September 30, 2017, approximately \$2,140,000 was received from one taxpayer.

## **NOTE 10 - EFFECT OF NEW PRONOUNCEMENTS**

The following describes the newly issued pronouncements and a short description and the dates of required implementation.



## **NOTE 10 - EFFECT OF NEW PRONOUNCEMENTS (CONTINUED)**

GASB Statement No. 77, *Tax Abatement Disclosures*, requires state and local governments, for the first time, to disclose information about tax abatement agreements. The provisions of GASB 77 are effective for financial statement periods beginning after December 15, 2015. The City is not aware of any tax abatements to be disclosed.

GASB Statement No. 80, *Blending Requirements for Certain Component Units*, was established to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The provisions of GASB 80 are effective for financial statement periods beginning after June 15, 2016. This standard will be adopted the year ending September 30, 2017. This did not impact the City's presentation of component units.

GASB Statement No. 83, *Certain Asset Retirement Obligations*- This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 (Fiscal Year Ending September 30, 2019). The City has not yet determined the impact that this may have on their financial statements.

GASB Statement No. 85, *Omnibus 2017*- Issued March 2017, this Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017 (Fiscal Year Ending September 30, 2018). The City has not yet determined the impact that this may have on their financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues* - Issued May 2017, this Statement is intended to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017 (Fiscal Year Ending September 30, 2018). The City has not yet determined the impact that this may have on their financial statements.

## **NOTE 11 – DATE OF MANAGEMENT'S REVIEW**

Management has evaluated subsequent events through May 10, 2018, the date at which the financial statements were available to be issued and noted no material events for disclosure.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SEMMES, ALABAMA**

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**

**September 30, 2017**

	Original Budget	Actual	Variance - Favorable (Unfavorable)
Revenues			
Taxes	\$ 4,895,000	\$ 5,387,967	\$ 492,967
Licenses and permits	950,000	835,223	(114,777)
Fines and forfeitures	7,500	35,344	27,844
Federal grant revenues	-	535,357	535,357
Intergovernmental revenues	-	26,997	26,997
Interest income	-	9,551	9,551
Other	50,000	42,380	(7,620)
Total revenues	<u>5,902,500</u>	<u>6,872,819</u>	<u>970,319</u>
Expenditures:			
General government	906,687	911,129	(4,442)
Public safety	2,393,344	2,475,558	(82,214)
Public works	1,515,895	888,602	627,293
Planning	212,204	149,567	62,637
Parks and recreation	282,388	90,274	192,114
Capital outlays	-	2,044,435	(2,044,435)
Miscellaneous expenditures	-	-	-
Total expenditures	<u>5,310,518</u>	<u>6,559,565</u>	<u>(1,249,047)</u>
Excess revenues over expenditures	<u>591,982</u>	<u>313,254</u>	
Add (Deduct) reconciling items to adjust from budgetary basis to modified accrual basis:			
Change in accounts receivable		219,984	
Change in prepaid expenses		2,930	
Change in accounts payable		(29,833)	
Change in other accrued liabilities		(33,588)	
Total		<u>159,493</u>	
Net change in fund balance, modified accrual basis		472,747	
Beginning fund balance		<u>6,619,708</u>	
Ending fund balance		<u><u>\$ 7,092,455</u></u>	