

City of Selma

Report on Examination of Financial Statements

For the year ended June 30, 2006

And

Independent Auditors' Report

Introductory Section

City of Selma
Annual Financial Report
For The Year Ended June 30, 2006

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Financial Section

Jorge & Yribarren

Certified Public Accountants

Larry M. Jorge CPA, CFP
Steven B. Yribarren, CPA

November 15, 2006

Independent Auditors' Report on Financial Statements

City Council
City of Selma
Selma, California

Members of the City Council:

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 City of Selma as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Selma's management. 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 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 opinions.

The City has not completely valued and recorded property and depreciation in the government wide financial statements. In our opinion, property should be recorded at cost, if purchased, or at fair value, if donated or contributed to conform to accounting principles generally accepted in the United States of America, and those amounts should be depreciated over the estimated useful lives of the assets. The effects on the financial statements of the preceeding practice are not reasonably determinable.

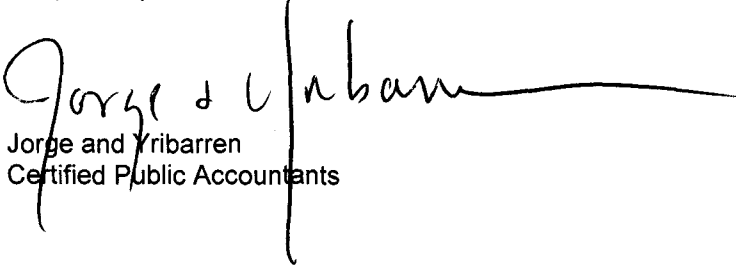
In our opinion, except for the effect on the financial statements of the omission discussed in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Selma as of June 30, 2006, 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 November 15, 2006, on our consideration of City of Selma's internal control over financial reporting and on 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 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States 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 opinions on the financial statements which collectively comprise the City of Selma's basic financial statements. The accompanying schedule of expenditures of federal awards required by U. S. Office of Management and Budget Circular A-133, AUDITS OF STATES, LOCAL GOVERNMENTS AND NON-PROFIT ORGANIZATIONS and the combining financial statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jorge & Yribarren", with a long horizontal flourish extending to the right.

Jorge and Yribarren
Certified Public Accountants

CITY OF SELMA

Managements Discussion and Analysis

June 30, 2006

Management's Discussion and Analysis

This discussion and analysis of the City of Selma's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the accompanying transmittal letter, the basic financial statements and accompanying to those financial statements.

Financial Highlights

The City's governmental funds ended the year with a combined fund balance of \$6.6 million, which is a reduction of \$500 thousand over June 30, 2005. Of this balance, \$1.9 million is unreserved and available for spending at the City's discretion.

The City's General Fund ended the year with a fund balance of \$1.2 million, a decrease of \$572 thousand from the previous year. The unreserved balance is \$1.2 million, with \$300,000 of the unreserved balance designated for contingencies.

Overview of the Financial Statements

This annual report consists of a series of financial statements. These statements include all activities of the City of Selma and its component units, the Selma Redevelopment Agency and the Selma Public Finance Authority, using the integrated approach as prescribed by GASB Statement No. 34. The Statement of Net Assets and Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services are financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the Government.

Reporting the City as a Whole

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances. These statements include all assets and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting method used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received.

The *Statement of net assets* presents information on all the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increase or decreases in net assets may serve as one indicator of whether the City's financial position is improving or deteriorating.

The *Statement of activities* presents information showing how the City's net assets changed in the most recent fiscal year. All changes of net assets are reported as soon as the underlying event giving raise to the change occurs. Thus, revenues and expenses are reported on this statement for some items that will result in cash flow in future fiscal periods (e.g. earned but unused vacation leave.)

The government-wide financial statements of the City are divided as follows:

Governmental Activities: Most of the City's basic services are included here such as public safety, transportation (street and roads), community development, culture and recreation and general government. These services are primarily financed by property and sales taxes, federal and state grants and development fees. The Selma Redevelopment Agency, although legally separate, functions for all

CITY OF SELMA

Managements Discussion and Analysis
June 30, 2006

practical purposes as a department of the City, and therefore has been included under government activities as an integral part of the City.

Business-type Activities: The City charges fees to customers to cover the costs of services provided. The City's ambulance and transportation services are included here.

Fund financial statements. The fund financial statements provide more detailed information about the City's most significant funds, not the city as a whole. 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. Some funds are required to be established by State Law or by bond covenants. Management establishes other funds due to legal requirements for using certain taxes, grants, and other money. All the funds of the City can be classified into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. Such information is useful in evaluating a government's near term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the 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 between governmental funds and governmental activities. This reconciliation explains the relationship (or differences) between the fund statements and the government-wide statements.

The City of Selma maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the General Fund, Reserve Fund, Redevelopment Administration Fund, and Street Maintenance Fund, all of which are considered to be major funds. Data from the other funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance to this budget.

Proprietary funds. The City has two different types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions represented as business-type activities in the government-wide financial statements. The City utilized enterprise funds to account for those activities that are supported primarily by user charges to external users, and includes ambulance service and transit service. Internal service funds are used to account for activities and include employee benefits, general services, risk management and fleet services. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Ambulance and Transit Service funds, all of which are major funds. Other additional enterprise funds are combined into a single aggregated presentation. Individual fund data for each of these non-major enterprise funds is provided in the form of combining statements elsewhere in this report. All of the internal service funds

CITY OF SELMA**Managements Discussion and Analysis**

June 30, 2006

are combined into a single, aggregated presentation in the fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the city. Fiduciary funds are not reflected in the government-wide financial statements because the city cannot use these funds to finance its operations.

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 statements.

Other information. The combining statements referred to earlier in connection with the non-major governmental, enterprise and internal service funds are presented immediately following the required supplementary information on the City's retirement plan

Government-wide Financial Analysis

Below is a table showing the City's net assets for the fiscal year ended June 30, 2006, with comparative data for the fiscal year ended June 30, 2005.

City of Selma's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 26,615,065	\$ 27,420,168	\$ 1,866,669	\$ 735,614	\$ 28,481,734	\$ 28,155,782
Capital and intangible assets	8,484,972	7,588,874	4,374,411	4,155,676	12,859,383	11,744,550
Total assets	<u>\$ 35,100,037</u>	<u>\$ 35,009,042</u>	<u>\$ 6,241,080</u>	<u>\$ 4,891,290</u>	<u>\$ 41,341,117</u>	<u>\$ 39,900,332</u>
Long-term liabilities outstanding	\$ 25,318,504	\$ 25,218,000	\$ 181,251	\$ 83,722	\$ 25,499,755	\$ 25,301,722
Other liabilities	7,755,754	9,452,078	460,527	380,309	8,216,281	9,832,387
Total liabilities	<u>33,074,258</u>	<u>34,670,078</u>	<u>641,778</u>	<u>464,031</u>	<u>33,716,036</u>	<u>35,134,109</u>
Net assets:	<u>\$ 2,025,779</u>	<u>\$ 338,964</u>	<u>\$ 5,599,302</u>	<u>\$ 4,427,259</u>	<u>\$ 7,625,081</u>	<u>\$ 4,766,223</u>
Investment in capital assets,						
net of related debt	\$ 4,705,580	\$ 204,312	\$ 4,123,310	\$ 4,068,654	\$ 8,828,890	\$ 4,272,966
Restricted	5,721,192	6,610,930	-	-	5,721,192	6,610,930
Unrestricted	(8,400,993)	(6,476,278)	1,475,992	358,605	(6,925,001)	(6,117,673)
Total net assets	<u>\$ 2,025,779</u>	<u>\$ 338,964</u>	<u>\$ 5,599,302</u>	<u>\$ 4,427,259</u>	<u>\$ 7,625,081</u>	<u>\$ 4,766,223</u>

As of June 30, 2006 the City's government-wide total assets exceeded liabilities (net assets) by \$7.6 million. Governmental activities finished the year with a positive net asset balance of \$2.0 million. However, this is not a true indication of the financial position of the City because we have not valued all of the capital assets of the City. Business type activities finished the year with a positive balance of \$5.6 million, an increase of \$1.2 million. Net assets as noted earlier may serve over time as a useful indicator of the City's financial position.

A portion the City's long-term liabilities relate to the acquisition of capital assets. Some of those assets include the City's corporation yard, equipment, and street infrastructure. These capital assets are utilized to provide services to citizens and are not available for future spending. The repayment of the debt on these assets must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Slightly less than half (49%) of the long-term liabilities are covered by an outside funding source. These include the assessment districts and bond reserves. There are receivables that offset this liability.

CITY OF SELMA
Managements Discussion and Analysis
June 30, 2006

Restricted net assets amount to \$5.7 million of the total. Restricted net assets are those resources that are subject to external restrictions on how they may be used. These restrictions are established by bond covenants or restrictions on the use of funds by state or federal regulations.

Governmental activities.

The following lists key components of these activities:

City of Selma's
Changes in Net Assets

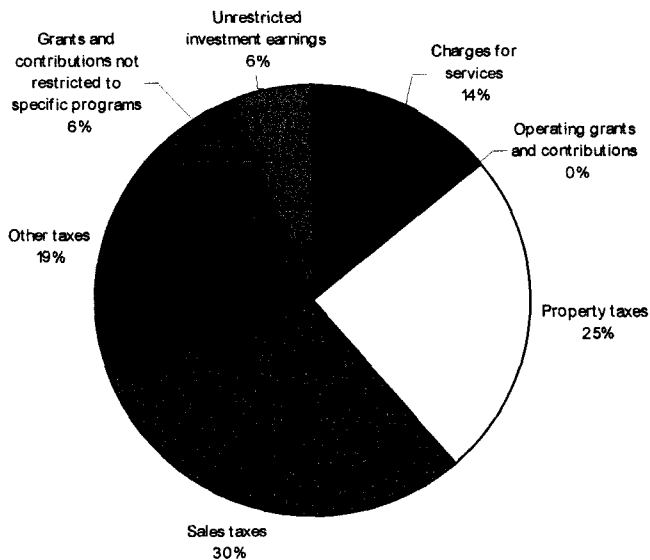
	Governmental		Business-type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 2,000,339	\$ 2,824,580	\$ 3,698,859	\$ 2,235,130	\$ 5,699,198	\$ 5,059,710
Operating grants and contributions	50,097	35,575	281,450	266,792	331,547	302,367
Capital grants and contributions					-	-
General revenues:						
Taxes	7,904,080	8,093,948	-	-	7,904,080	8,093,948
Licenses and permits	178,975	208,641	-	-	178,975	208,641
Intergovernmental charges	1,922,276	2,420,672	-	-	1,922,276	2,420,672
Fines	57,665	56,536	-	-	57,665	56,536
Franchise fees	539,054	480,938	-	-	539,054	480,938
Revenue for the use of property	880,562	494,588	5,557	-	886,119	494,588
Miscellaneous	890,497	344,834	4,512	-	895,009	344,834
Transfers	(10,000)	277,998	10,000	(277,998)	-	-
Total revenues	14,413,545	15,238,310	4,000,378	2,223,924	18,413,923	17,462,234
Expenses:						
General government	1,705,007	2,503,745			1,705,007	2,503,745
Public safety	5,634,681	4,575,936			5,634,681	4,575,936
Public Works	1,568,802	1,331,917			1,568,802	1,331,917
Community development	2,028,550	1,639,453			2,028,550	1,639,453
Cultural and recreation	447,271	479,481			447,271	479,481
Capital Outlay	107,825	691,409			107,825	691,409
Debt Service	1,234,594	2,043,924			1,234,594	2,043,924
Ambulance			1,246,730	1,301,218	1,246,730	1,301,218
RDA Selma Manufacturing Complex			504,452	354,897	504,452	354,897
Pioneer Village			35,137	33,297	35,137	33,297
Transit			316,056	301,872	316,056	301,872
Garbage services			715,696	-	715,696	-
Cultural Arts			10,264	10,557	10,264	10,557
Total expense	12,726,730	13,265,865	2,828,335	2,001,841	15,555,065	15,267,706
Increase in net assets	1,686,815	1,972,445	1,172,043	222,083	2,858,858	2,194,528
Net assets - beginning	338,964	(1,633,481)	4,427,259	4,205,176	4,766,223	2,571,695
Net assets - ending	\$ 2,025,779	\$ 338,964	\$ 5,599,302	\$ 4,427,259	\$ 7,625,081	\$ 4,766,223

CITY OF SELMA
Managements Discussion and Analysis
June 30, 2006

The Governmental revenues for the year were \$14.4 million. Taxes, which include property, sales and other taxes account for \$7.9 million or 55% of the City's governmental activities revenue.

Total governmental expenses for the year were \$12.7 million. Public Safety, which includes police and fire, account for \$5.6 million or 44% of the total governmental activity expenses. Community Development function accounts for \$2.1 million or 17% of the total expenses. Transportation, which includes depreciation for the City's street infrastructure, was not calculated due to the incomplete valuation of the infrastructure.

Revenues by Source-Governmental Activities



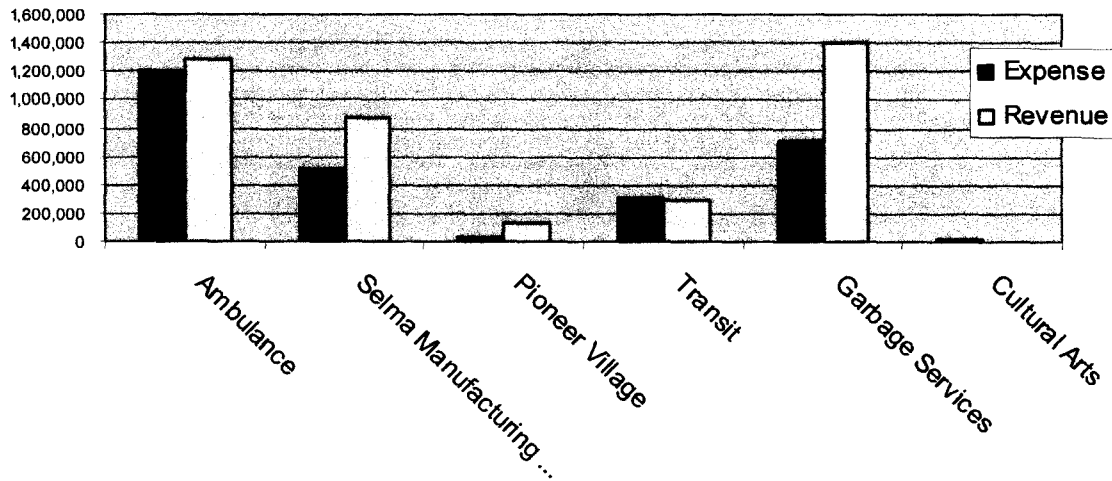
Program revenues that include charges for services and grants specific to certain programs, account for \$2.1 million of the total governmental activity revenue. The amounts necessary to fully fund the governmental activity programs are made up of "general" revenues such as taxes, interest, and unrestricted grants and contributions.

Business-type Activities

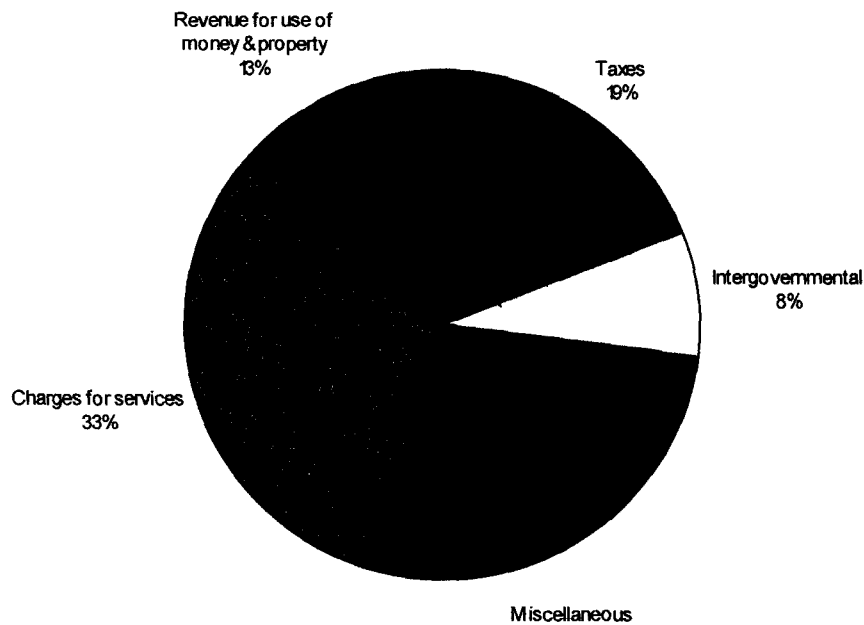
Business-type activities account for \$5.6 million of the total Government-wide net assets. This is an increase of \$1.2 million over June 30, 2005 due to the addition of asset values. Investment earnings are up from the previous year, but still reflect a negative investment rate. The low interest revenue reflects the negative cash flow in some of these funds.

CITY OF SELMA
Managements Discussion and Analysis
June 30, 2006

Expense and Program Revenues-Business-type Activities



Revenues by Source-Business-type activities



Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

CITY OF SELMA

Managements Discussion and Analysis

June 30, 2006

Governmental funds. Not all of the City's governmental funds ended the year with positive fund balances. The ending fund balance for all funds is \$6.6 million, which is a decrease of \$594 thousand or 8% when compared to the prior year. Of the total fund balance, \$1.9 million or 29% is unreserved, which is available for spending at the City's discretion, within the limitations of the fund's purpose. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for the following:

Debt Service	\$ 245,376
Low-Income Housing	\$ 1,811,154
Capital Projects	\$ 4,226,572

The general fund total fund balance increased \$276 thousand or 18% from the previous fiscal year. The unreserved portion, as indicated, is available for spending at the City's discretion, but the city council has designated that a portion of these funds be set-aside in special reserve funds. A General Reserve fund in the amount of \$627,364, and an Equipment Replacement fund, in the amount of \$65,922 are available for use for unanticipated needs.

Proprietary funds. As indicated in the description of proprietary funds, there are two types of funds, enterprise and internal service funds. The Ambulance fund ended the year with a positive unrestricted balance. The Transit Fund, finished the year with a negative change in net assets, had a negative ending balance due to deficiencies incurred in the current and previous years.

All the internal service funds finished with growth in unrestricted net assets.

General Fund Budgetary Highlights expropriations

Throughout the fiscal year it was necessary to adjust the original General Fund budget. The Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget to Actual, General Fund, shows the original budget and final budget. Below is a summary of the primary amendments:

\$-650,000 General Government Department-Transfer authorization to Garbage Services Fund
\$ 240,299 Various Departments-Adjustment due to salary negotiation for new MOU
\$ 9,000 Police Department-Appropriation of grant expenditures
\$ 128,590 Parks Department- Adjustment due to approved expenditure for parks restrooms

Of these, the increase for the grant program was funded from unanticipated grant revenues. The other increases in approved expenditures were funded by available fund balance. During the year the General Fund revenues was less than budgetary estimates. Consequently, expenditures were reduced to reduce the need to draw upon existing fund balance to cover unanticipated expenditures.

CITY OF SELMA
Managements Discussion and Analysis
June 30, 2006

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities has not been fully valued. The City has only partially completed an asset valuation project for the City and its component units.

City of Selma

Capital Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Land	\$ 2,218,599	\$ 2,946,867	\$ -	\$ -	\$ 2,218,599	\$ 2,946,867
Building and improvements	6,266,373	4,642,007	4,000,000	4,000,000	10,266,373	8,642,007
Machinery and equipment	-	-	346,915	155,676	346,915	155,676
Road network	-	-	-	-	-	-
Total	\$ 8,484,972	\$ 7,588,874	\$ 4,346,915	\$ 4,155,676	\$ 12,831,887	\$ 11,744,550

Long-term Debt. The City's long-term debt as of June 30, 2006 was \$27.7 million with governmental activities accounting for most debt. Total debt was reduced during the year by \$1 million in debt principal payments.

City of Selma

Outstanding Debt

	Governmental		Business-type		Total	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Special assessment debt with governmental commitment	\$ 5,548,000	\$ 5,548,000	\$ -	\$ -	\$ 5,548,000	\$ 5,548,000
Tax allocation bonds	3,690,000	3,750,000	-	-	3,690,000	3,750,000
Capital leases	257,855	410,609	183,634	-	441,489	410,609
Lease revenue bonds	5,935,000	6,005,000	-	-	5,935,000	6,005,000
Certificates of participation	1,026,619	1,237,604	43,381	62,396	1,070,000	1,300,000
Revenue bonds	10,702,000	11,222,000	-	-	10,702,000	11,222,000
Contracts payable	349,376	415,310	-	-	349,376	415,310
Total	\$ 27,508,850	\$ 28,588,523	\$ 227,015	\$ 62,396	\$ 27,735,865	\$ 28,650,919

The City did not issue any new debt this year.

General obligation debt are direct obligations of the City and are backed by the full faith and credit of the City requiring voter approval, and may have a tax rate set to cover repayment. State statues limit the amount of general obligation debt to 15% of the City's total assessed valuation. The City of Selma debt limit is \$89.5 million. The city currently has no general obligation debt outstanding.

CITY OF SELMA

Managements Discussion and Analysis

June 30, 2006

Economic Factors and Next Year's Budgets and Rates

The City is still experiencing substantial residential growth. During the budget process it was estimated 300 new single-family units and approximately five new commercial units would be constructed within the City. With the new units come estimated population increases of 1,000 people. These growth factors were utilized in developing the City's revenue estimates.

Total citywide expenditures excluding capital expenditures were projected to increase approximately 12%. The biggest portions of these costs include salary and benefit increases based on negotiated agreements with the City's bargaining units, eight new positions and normal step increases. Salaries are anticipated to increase \$480 thousand. Insurance program costs, including workers' compensation, are increasing 26%. It's anticipated that these costs will continue to rise as insurance companies continue to raise rates. Most other expenditures were estimated to grow at the rate of inflation.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City of Selma finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Finance Director, City of Selma, 1710 Tucker Street, Selma, CA 93662.

Basic Financial Statements

CITY OF SELMA
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments	\$ 8,272,165	\$ 863,098	\$ 9,135,263
Cash with fiscal agent	1,827,350	300,000	2,127,350
Accounts receivables	133,983	685,208	819,191
Due from other agencies	963,448	158,425	1,121,873
Deposits	5,015	--	5,015
Inventories	71,834	73	71,907
Prepaid items	25,405	--	25,405
Allowance for bad debt	--	(140,135)	(140,135)
Fixed assets (net, where applicable, of accumulated depreciation)	8,484,972	4,374,411	12,859,383
Notes receivable	15,315,865	--	15,315,865
Total Assets	<u>35,100,037</u>	<u>6,241,080</u>	<u>41,341,117</u>
Liabilities:			
Cash deficit	3,664,373	281,081	3,945,454
Accounts payable	781,994	25,618	807,612
Accrued wages/benefits	907,697	87,123	994,820
Due to other agencies	211,344	155	211,499
Noncurrent liabilities:	--	--	--
Due within one year	2,190,346	66,550	2,256,896
Due in more than one year	25,318,504	181,251	25,499,755
Total Liabilities	<u>33,074,258</u>	<u>641,778</u>	<u>33,716,036</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	4,705,580	4,123,310	8,828,890
Restricted For:			
Federal and State Programs	(561,910)	--	(561,910)
Debt Service	245,376	--	245,376
Capital Projects	4,226,572	--	4,226,572
Low-income housing	1,811,154	--	1,811,154
Unrestricted	(8,400,993)	1,475,992	(6,925,001)
Total Net Assets	<u>\$ 2,025,779</u>	<u>\$ 5,599,302</u>	<u>\$ 7,625,081</u>

The accompanying notes are an integral part of this statement.

CITY OF SELMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Expenditures:						
General government	\$ 1,705,007	\$ 742,777	\$ --	\$ (962,230)		\$ (962,230)
Public Safety	5,634,681	107,062	13,271	(5,514,348)		(5,514,348)
Public Works	1,568,802	1,078,879	--	(489,923)		(489,923)
Community Development	2,028,550	3,853	19,257	(2,005,440)		(2,005,440)
Recreation	447,271	67,768	17,569	(361,934)		(361,934)
Capital outlay	107,825	--	--	(107,825)		(107,825)
Debt service:	1,234,594	--	--	(1,234,594)		(1,234,594)
Total expenditures	<u>12,726,730</u>	<u>2,000,339</u>	<u>50,097</u>	<u>(10,676,294)</u>		<u>(10,676,294)</u>
Business-type Activities:						
Ambulance Service	1,246,730	1,288,842	--	--	\$ 42,112	42,112
RDA Selma Manufacturing Complex	504,452	868,944	--	--	364,492	364,492
Pioneer Village	35,137	118,470	6,156	--	89,489	89,489
Transit Service	316,056	30,963	272,664	--	(12,429)	(12,429)
Garbage Service	715,696	1,388,821	--	--	673,125	673,125
Cultural Arts	9,864	2,723	2,630	--	(4,511)	(4,511)
Selma Manufacturing Complex	400	400	--	--	--	--
Total Business-type Activities	<u>2,828,335</u>	<u>3,699,163</u>	<u>281,450</u>	<u>--</u>	<u>1,152,278</u>	<u>1,152,278</u>
Total Primary Government	<u>\$ 15,555,065</u>	<u>\$ 5,699,502</u>	<u>\$ 331,547</u>	<u>(10,676,294)</u>	<u>1,152,278</u>	<u>(9,524,016)</u>
General Revenues:						
Taxes				7,904,080	--	7,904,080
Licenses and permits				178,975	--	178,975
Intergovernmental				1,922,276	--	1,922,276
Charges for services				--	4,208	4,208
Fines				57,665	--	57,665
Franchise fees				539,054	--	539,054
Revenue for use of money & property				880,562	5,557	886,119
Miscellaneous				890,497	--	890,497
Transfers				(10,000)	10,000	--
Total General Revenues				<u>12,363,109</u>	<u>19,765</u>	<u>12,382,874</u>
Change in Net Assets				<u>1,686,815</u>	<u>1,172,043</u>	<u>2,858,858</u>
Net Assets - Beginning				<u>338,964</u>	<u>4,427,259</u>	<u>4,766,223</u>
Net Assets - Ending				<u>\$ 2,025,779</u>	<u>\$ 5,599,302</u>	<u>\$ 7,625,081</u>

The accompanying notes are an integral part of this statement.

CITY OF SELMA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2006

	General Fund	Street Maintenance Fund	RDA General Debt Service
Assets:			
Cash and investments	\$ 817,312	\$ --	\$ --
Cash with fiscal agent	230,000	--	--
Accounts receivables	103,281	1,175	--
Due from other funds	--	--	--
Due from other agencies	234,705	3,418	--
Inventories	9,028	62,126	--
Prepaid items	20,125	479	--
Total Assets	\$ 1,414,451	\$ 67,198	\$ --
Liabilities:			
Cash deficit	\$ --	\$ 577,905	\$ 672,598
Accounts payable	73,900	1,556	--
Accrued wages/benefits	129,552	8,188	--
Due to other funds	--	--	--
Due to other agencies	--	--	129,319
Total Liabilities	203,452	587,649	801,917
Fund balances:			
Reserved fund balances:			
Reserved for debt service	--	--	(801,917)
Reserved for low-income housing	--	--	--
Reserved for capital projects	--	--	--
Reserved for federal and state programs	--	(520,451)	--
Unreserved	1,210,999	--	--
Unreserved, reported in nonmajor:			
Capital projects funds	--	--	--
Total fund balances	1,210,999	(520,451)	(801,917)
Total Liabilities and Fund Balances	\$ 1,414,451	\$ 67,198	\$ --

The accompanying notes are an integral part of this statement.

RDA Industrial Park Debt Service	Developmental Impact Streets & Traffic	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 1,250,246	\$ 5,819,578	\$ 7,887,136
--	--	1,597,350	1,827,350
--	--	28,275	132,731
--	200,000	250,000	450,000
--	--	722,667	960,790
--	--	--	71,154
--	--	--	20,604
<u>\$ --</u>	<u>\$ 1,450,246</u>	<u>\$ 8,417,870</u>	<u>\$ 11,349,765</u>
\$ 870,567	\$ --	\$ 1,525,623	\$ 3,646,693
--	--	244,368	319,824
--	--	4,513	142,253
--	--	450,000	450,000
--	--	82,025	211,344
<u>870,567</u>	<u>--</u>	<u>2,306,529</u>	<u>4,770,114</u>
(870,567)	--	1,917,860	245,376
--	--	1,811,154	1,811,154
--	1,450,246	1,688,161	3,138,407
--	--	(41,459)	(561,910)
--	--	--	1,210,999
--	--	735,625	735,625
<u>(870,567)</u>	<u>1,450,246</u>	<u>6,111,341</u>	<u>6,579,651</u>
<u>\$ --</u>	<u>\$ 1,450,246</u>	<u>\$ 8,417,870</u>	<u>\$ 11,349,765</u>

CITY OF SELMA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2006

Total fund balances - governmental funds balance sheet	\$ 6,579,651
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	18,419,837
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	98,663
Payables for bond principal which are not due in the current period are not reported in the funds.	(26,901,619)
Payables for notes which are not due in the current period are not reported in the funds.	(1,369,106)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(182,647)
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.	<u>5,381,000</u>
Net assets of governmental activities - statement of net assets	\$ <u>2,025,779</u>

The accompanying notes are an integral part of this statement.

CITY OF SELMA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	Street Maintenance Fund	RDA General Debt Service
Revenue:			
Taxes	\$ 6,817,755	\$ --	\$ 869,060
Licenses and permits	552,259	4,790	--
Intergovernmental	227,690	3,418	--
Charges for services	467,302	96,492	--
Fines	15,143	--	--
Franchise fees	539,054	--	--
Revenue for use of money & property	145,633	(24,957)	(7,166)
Assessment payment	--	--	94,118
Miscellaneous	146,365	--	21,697
Total revenues	<u>8,911,201</u>	<u>79,743</u>	<u>977,709</u>
Expenditures:			
General government	1,566,577	69	--
Public Safety	5,053,229	--	--
Public Works	521,437	996,599	--
Community Development	999,096	44	514,563
Recreation	447,271	--	--
Capital outlay	199,404	--	194,902
Debt service:			
Principal	437,659	117,469	177,374
Interest and fiscal charges	113,699	159,839	127,651
Total expenditures	<u>9,338,372</u>	<u>1,274,020</u>	<u>1,014,490</u>
Excess (deficiency) of revenues over (under) expenditures	(427,171)	(1,194,277)	(36,781)
Other financing sources (uses):			
Operating transfers in	--	1,342,121	--
Operating transfers out	(145,601)	--	--
Total other financing sources (uses)	<u>(145,601)</u>	<u>1,342,121</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(572,772)	147,844	(36,781)
Fund balances/equity, July 1	1,783,771	(668,295)	(765,136)
Fund balances/equity, June 30	<u>\$ 1,210,999</u>	<u>\$ (520,451)</u>	<u>\$ (801,917)</u>

The accompanying notes are an integral part of this statement.

RDA Industrial Park Debt Service	Developmental Impact Streets & Traffic	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 217,265	\$ 7,904,080
--	--	--	557,049
--	--	2,518,286	2,749,394
--	323,817	639,349	1,526,960
--	--	56,165	71,308
--	--	--	539,054
145,432	45,856	190,056	494,854
--	--	2,244,060	2,338,178
--	--	817,899	985,961
<u>145,432</u>	<u>369,673</u>	<u>6,683,080</u>	<u>17,166,838</u>
--	--	194,192	1,760,838
--	--	271,260	5,324,489
--	--	50,766	1,568,802
3,860	--	510,987	2,028,550
--	--	--	447,271
--	--	1,626,755	2,021,061
35,000	29,385	1,538,103	2,334,990
171,372	--	1,692,618	2,265,179
<u>210,232</u>	<u>29,385</u>	<u>5,884,681</u>	<u>17,751,180</u>
(64,800)	340,288	798,399	(584,342)
--	--	321,145	1,663,266
--	(31,695)	(1,495,970)	(1,673,266)
--	<u>(31,695)</u>	<u>(1,174,825)</u>	<u>(10,000)</u>
(64,800)	308,593	(376,426)	(594,342)
(805,767)	1,141,653	6,487,767	7,173,993
<u>\$ (870,567)</u>	<u>\$ 1,450,246</u>	<u>\$ 6,111,341</u>	<u>\$ 6,579,651</u>

CITY OF SELMA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds \$ (594,342)

Amounts reported for governmental activities in the statement of activities
("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	1,819,268
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	404,376
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	(253,879)
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	174,005
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	43,900
The net revenue (expense) of internal service funds is reported with governmental activities.	55,833
Other reconciling items	<u>37,654</u>

Change in net assets of governmental activities - statement of activities \$ 1,686,815

The accompanying notes are an integral part of this statement.

CITY OF SELMA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	Enterprise Fund	Enterprise Fund	Enterprise Fund
	Ambulance Service	Selma Mfg. Complex RDA	Transit Service
Assets:			
Cash and investments	\$ 64,852	\$ 16,731	\$ --
Cash with fiscal agent	--	300,000	--
Accounts receivables	325,045	360,163	--
Due from other agencies	--	--	103,221
Deposits	--	--	--
Inventories	73	--	--
Prepaid items	--	--	--
Allowance for bad debts	(140,135)	--	--
Fixed assets (net, where applicable, of accumulated deprecia	371,111	4,000,000	--
Total Assets	\$ 620,946	\$ 4,676,894	\$ 103,221
Liabilities:			
Cash deficit	\$ --	\$ --	\$ 278,080
Accounts payable	4,029	20,550	--
Accrued wages/benefits	67,598	--	19,525
Due to other agencies	--	155	--
Bonds payable	64,167	--	--
Leases payable	183,634	--	--
Total Liabilities	319,428	20,705	297,605
Net Assets:			
Invested in capital assets, net of related debt	118,220	4,000,000	--
Unrestricted	183,298	656,189	(194,384)
Total net assets	301,518	4,656,189	(194,384)
Total Liabilities and Fund Balances	\$ 620,946	\$ 4,676,894	\$ 103,221

The accompanying notes are an integral part of this statement.

Enterprise Fund		Nonmajor Enterprise Funds		Total Enterprise Funds		Internal Service Funds
Garbage Service						
\$ 624,149		\$ 157,366		\$ 863,098		\$ 113,567
--		--		300,000		--
--		--		685,208		1,252
55,204		--		158,425		2,658
--		--		--		5,015
--		--		73		680
--		--		--		4,801
--		--		(140,135)		--
--		3,300		4,374,411		--
<u>\$ 679,353</u>		<u>\$ 160,666</u>		<u>\$ 6,241,080</u>		<u>\$ 127,973</u>
\$ --		\$ 3,001		\$ 281,081		\$ 17,680
--		1,039		25,618		8,061
--		--		87,123		3,569
--		--		155		--
--		--		64,167		--
--		--		183,634		--
<u>--</u>		<u>4,040</u>		<u>641,778</u>		<u>29,310</u>
--		1,406		4,119,626		--
679,353		155,220		1,479,676		98,663
<u>679,353</u>		<u>156,626</u>		<u>5,599,302</u>		<u>98,663</u>
<u>\$ 679,353</u>		<u>\$ 160,666</u>		<u>\$ 6,241,080</u>		<u>\$ 127,973</u>

CITY OF SELMA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2006

	Enterprise Fund	Enterprise Fund	Enterprise Fund
	Ambulance Service	Selma Mfg. Complex RDA	Transit Service
Operating Revenues:			
Taxes	\$ --	\$ --	\$ --
Charges for services	1,288,388	--	--
Intergovernmental	--	--	303,627
Revenue for use of money & property	2,708	509,013	(9,546)
Miscellaneous	454	362,112	--
Total Operating Revenues	<u>1,291,550</u>	<u>871,125</u>	<u>294,081</u>
Operating Expenses:			
Personal services - salaries and wages	664,070	--	192,611
Personal services - employee benefits	276,502	--	93,114
Purchased professional and technical services	60,541	27,235	745
Other internal services	194,343	476,195	29,586
Capital outlay	13,620	1,022	--
Total Operating Expenses	<u>1,209,076</u>	<u>504,452</u>	<u>316,056</u>
Operating Income (Loss)	<u>82,474</u>	<u>366,673</u>	<u>(21,975)</u>
Transfers:			
Interfund operating transfers in	--	--	10,000
Interfund operating transfers out	--	--	--
Total transfers	<u>--</u>	<u>--</u>	<u>10,000</u>
Net income	82,474	366,673	(11,975)
Retained earnings/fund balances, July 1	219,044	4,289,516	(182,409)
Retained earnings/fund balances, June 30	<u>\$ 301,518</u>	<u>\$ 4,656,189</u>	<u>\$ (194,384)</u>

The accompanying notes are an integral part of this statement.

Enterprise Fund		Nonmajor Enterprise Funds		Total Enterprise Funds		Internal Service Funds
Garbage Service						
\$ 766,809		\$ --		\$ 766,809		\$ --
--		5,328		1,293,716		2,895,867
--		--		303,627		--
6,228		21,336		529,739		--
622,012		111,909		1,096,487		118,225
<u>1,395,049</u>		<u>138,573</u>		<u>3,990,378</u>		<u>3,014,092</u>
--		--		856,681		118,848
--		--		369,616		39,972
715,696		20,198		824,415		241,438
--		25,203		725,327		2,458,756
--		--		14,642		99,245
<u>715,696</u>		<u>45,401</u>		<u>2,790,681</u>		<u>2,958,259</u>
679,353		93,172		1,199,697		55,833
--		--		10,000		--
--		--		--		--
<u>--</u>		<u>--</u>		<u>10,000</u>		<u>--</u>
679,353		93,172		1,209,697		55,833
--		63,454		4,389,605		42,830
<u>\$ 679,353</u>		<u>\$ 156,626</u>		<u>\$ 5,599,302</u>		<u>\$ 98,663</u>

CITY OF SELMA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2006

	Enterprise Funds		
	Ambulance Service	Selma MFGR Complex	Transit Service
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 1,354,071	\$ 810,296	\$ 309,785
Cash Payments to Employees for Services	(980,816)	--	(292,876)
Cash Payments to Other Suppliers for Goods and Services	(269,132)	(483,982)	(30,429)
Other Operating Cash Receipts (Payments)	--	--	10,000
Net Cash Provided (Used) by Operating Activities	<u>104,123</u>	<u>326,314</u>	<u>(3,520)</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from Issuance of Long-term Debt	195,634	--	--
Principal and Interest Paid	(30,555)	--	--
Acquisition or Construction of Capital Assets	(233,355)	--	--
Proceeds from Sale of Capital Assets	--	--	--
Contributed Capital	--	--	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(68,276)</u>	<u>--</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	35,847	326,314	(3,520)
Cash and Cash Equivalents at Beginning of Year	29,005	(9,583)	(274,560)
Cash and Cash Equivalents at End of Year	<u>\$ 64,852</u>	<u>\$ 316,731</u>	<u>\$ (278,080)</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ 82,474	\$ 366,673	\$ (11,975)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	13,620	--	--
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	24,366	(60,829)	15,704
Decrease (Increase) in Inventories	--	--	--
Decrease (Increase) in Prepaid Expenses	439	--	--
Increase (Decrease) in Accounts Payable	(4,382)	20,470	(98)
Increase (Decrease) in Payroll Deductions	--	--	--
Increase (Decrease) in Accrued Wages Payable	(12,394)	--	2,652
Increase (Decrease) in Accrued Expenses	--	--	(9,803)
Total Adjustments	<u>21,649</u>	<u>(40,359)</u>	<u>8,455</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 104,123</u>	<u>\$ 326,314</u>	<u>\$ (3,520)</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-9

Enterprise Funds			Service Funds
Garbage Service	Nonmajor Ent. Funds	Totals	
\$ 1,339,845	\$ 138,173	\$ 3,952,170	\$ 3,015,008
(715,696)		(1,989,388)	(156,976)
--	(44,102)	(827,645)	(2,812,357)
--		10,000	--
<u>624,149</u>	<u>94,071</u>	<u>1,145,137</u>	<u>45,675</u>
--	--	195,634	--
--	--	(30,555)	--
--	--	(233,355)	--
--	--	--	--
--	--	--	--
<u>--</u>	<u>--</u>	<u>(68,276)</u>	<u>--</u>
624,149	94,071	1,076,861	45,675
--	60,294	(194,844)	50,212
<u>\$ 624,149</u>	<u>154,365</u>	<u>\$ 882,017</u>	<u>\$ 95,887</u>
\$ 679,353	93,172	\$ 1,209,697	\$ 55,833
--	--	13,620	--
(55,204)	--	(75,963)	(336)
--	--	--	(176)
--	--	439	790
--	--	15,990	(11,000)
--	--	--	--
--	899	(8,843)	564
--	--	(9,803)	--
<u>(55,204)</u>	<u>899</u>	<u>(64,560)</u>	<u>(10,158)</u>
<u>\$ 624,149</u>	<u>94,071</u>	<u>\$ 1,145,137</u>	<u>\$ 45,675</u>

CITY OF SELMA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	Agency Funds
Assets:	
Cash and investments	\$ 271,462
Total Assets	<u>\$ 271,462</u>
Liabilities:	
Accounts payable	\$ 271,462
Total Liabilities	<u>271,462</u>
Net Assets:	
Total net assets	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

CITY OF SELMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

A. Summary of Significant Accounting Policies

The combined financial statements of City of Selma (the "City") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and 2) The City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the City.

The City is a general law city and as such draws its authority from the constitution and laws of the State of California. The City has a council/manager form of government and is governed by a five member elected council. The City Manager is appointed by the City Council. The City provides the following services: police and fire protection, ambulance, transit, street construction and maintenance, planning and zoning, and general administrative services.

The City's financial statements include the operations of all organizations for which the City Council exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

(a) Blended Component Units

Based on the aforementioned oversight criteria, the operations of the Selma Redevelopment Agency (Agency), Selma Economic Development Corporation (Development Corporation), Selma Community Enhancement Corporation (Enhancement Corporation), and Selma Public Financing Authority (Authority) have been blended into the accompanying financial statements. Members of the City Council, as well as City administrative personnel make up a significant portion of the governing bodies.

The Authority's specific and primary purpose is to provide financial assistance to the City of Selma and other agencies by acquiring qualified obligations which were issued for the acquisition, construction, and improvement of public facilities and property. The Agency was formed in order to maintain and revitalize the Selma redevelopment project area. The Development Corporation was formed in order to promote economic growth within the jurisdictional limits of the City of Selma. The Enhancement Corporation was formed in order to enable citizens and organizations to make tax-exempt donations that aid other citizens and organizations, and assist the City in development of services within the community.

CITY OF SELMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations 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. The City does not allocate indirect expenses in 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, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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 City except those required to be accounted for in another fund.

Street Maintenance fund. This is the fund that accounts for the maintenance of the City's streets and alleyways.

Debt Service funds. These are the funds that are used to account for the accumulation of resources for, and payment of, general long-term debt principal and interest.

The City reports the following major enterprise funds:

Ambulance fund. This is the fund that accounts for the operations of the ambulance service provided by the City.

Selma Manufacturing Complex fund. This is the fund that accounts for the operations of the Upright property the City leases to outside businesses.

In addition, the City reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the City. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the City's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

CITY OF SELMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support City programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund 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 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.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The City has chosen to apply future FASB standards.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

CITY OF SELMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

b. Property Taxes

Taxes are payable in two installments on November 1 and March 1. They become delinquent on December 10 and April 10 respectively. The lien date is January 1 of each year. Unsecured property taxes are payable in one installment on or before August 31. The County of Fresno bills and collects the taxes for the City.

On October 12, 1993, the Fresno County Board of Supervisors voted to adopt an alternate method of property tax apportionment known as the Teeter Plan. The method applies to current secured, and supplemental, but not to unsecured. The basic concept of the Teeter Plan is that the County apportion taxing agencies 100% of their levy (adjusted for roll changes) with the County owning the delinquent receivables. The County will apportion the current secured and unitary into a revenue account in three installments. The first 50% was apportioned December 15, the balance will be apportioned by April 15, and June 15 at 45% and 5% respectively.

c. Inventories and Prepaid Items

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

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

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. 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. A capitalization threshold of \$5,000 is used for personal property and \$50,000 for real property.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

e. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

CITY OF SELMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

g. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

C. Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits:

At June 30, 2006, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$9,135,263 and the bank balance was \$9,135,263. The City's cash deposits at June 30, 2006 and during the year ended June 30, 2006, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments:

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

CITY OF SELMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

CITY OF SELMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

D. Amounts to be provided by special assessments

The City established the following assessment districts in order to fund improvements within the City of Selma. The property owners within the districts are responsible for the following at June 30, 2006:

Assessment District No. 1991-2 Improvement Bonds - Highland	\$ 1,180,000
Assessment District No. 1992-1 Improvement Bonds - Dancer II	265,000
Assessment District No. 1992-1 Supplemental Improvement Bonds - Dancer III	250,000
Assessment District No. 1992-1 Third Supplemental Improvement Bonds - Pea Soup Andersen	1,960,000
Assessment District No. 1993-1 Improvement Bonds - Vineyard	515,000
Assessment District No. 1991-2 Supplemental Improvement Bonds - Stillman	269,000
Assessment District No. 1991-2 Supplemental Improvement Bonds - Watermain	242,000
Assessment District No. 1994-1 Supplemental Improvement Bonds - Up-Right	440,000
Assessment District No. 1997-1 - Theater	235,000
	<hr/>
	\$ 5,356,000

E. Notes receivable

The Agency had the following receivables outstanding at June 30, 2006:

Up-Right, Inc., a California corporation, \$7,550,000 installment promissory note dated 10/27/94, secured by Deed of Trust and equipment liens, due in monthly installments with interest from 7% to 11%, due September 15, 2014, this note is in default, due to Up-Right filing for bankruptcy protection. The bankruptcy proceedings have been completed. On December 12, 2003 the California State Superior Court granted title of the Up-Right property to the Selma Redevelopment Agency. The Agency is in the process of marketing the site to rental tenants to provide rental income. This income will provide the necessary cash flow to continue the required debt service payments.	\$ 8,407,978
Up-Right, Inc., a California corporation, \$320,000 lease-sublease development loan dated 10/27/94, due in semi-annual installments with interest at 7.25%, due September 15, 2014, this note is in default, due to Up-Right filing for bankruptcy protection. See above note. The same rental income will also be used to make these service payments.	350,369
Gustavo Oscar Chavez, \$15,270 installment promissory note dated 12/20/95, secured by Deed of Trust, due in monthly installments with interest at 7%, due March 19, 2001, this note is in default.	13,305
Nelson's Hardware, \$85,000 renovation loan dated December 15, 1997, secured by Deed of Trust, due in annual installments with interest at 7%, due October 2007.	21,416

CITY OF SELMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

Centerstage Partners, \$407,000 installment promissory note dated August 21, 1997, secured by Deed of Trust, due in monthly installments with interest at 8.5%, due on June 1, 2018.	346,774
Secure Storage, \$167,000 installment promissory note dated September 5, 2003, secured by Deed of Trust, due in quarterly installments with interest at 5.5% due in September 2023.	124,610
Secure Storage, \$167,000 installment promissory note dated September 5, 2003, secured by Deed of Trust, due in quarterly installments with interest at 5.5% due in September 2023.	153,341
Secure Storage, \$110,000 installment promissory note dated June 4, 2006, secured by Deed of Trust, due in quarterly installments with interest at 5.5% due in June 2026.	105,840
Glacier Air, \$103,850 installment promissory note dated May 4, 2005 secured by Deed of Trust, due in quarterly installments with interest at 5% due in January 2020.	98,994
Chavez Construction, \$99,000 installment promissory note dated June 20, 2006, secured by Deed of Trust, due in quarterly installments with interest at 5.5% due in September 2023.	99,000
Selma Pallet, \$220,000 installment promissory note dated November 8, 2006, secured by Deed of Trust, due in quarterly installments with interest at 5.5% due in September 2023.	213,238
	<u>\$ 9,934,865</u>

F. Bonds receivable

The Authority has entered into bond and lease agreements with the following at June 30, 2005:

City of Placerville Loan Refunding	\$ 25,000
	<u>\$ 25,000</u>

Future Commitments to the Authority follow:

Year Ending	
June 30, 2007	\$ 25,000
	<u>\$ 25,000</u>

CITY OF SELMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

G. Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,946,867	\$ 195,259	\$ 923,527	\$ 2,218,599
Construction in progress	4,642,007	1,624,366	--	6,266,373
Total capital assets not being depreciated	<u>7,588,874</u>	<u>1,819,625</u>	<u>923,527</u>	<u>8,484,972</u>
Governmental activities capital assets, net	<u>\$ 7,588,874</u>	<u>\$ 1,819,625</u>	<u>\$ 923,527</u>	<u>\$ 8,484,972</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ --	\$ --	\$ --	\$ --
Construction in progress	4,000,000	--	--	4,000,000
Total capital assets not being depreciated	<u>4,000,000</u>	<u>--</u>	<u>--</u>	<u>4,000,000</u>
Capital assets being depreciated:				
Buildings and improvements	--	--	--	--
Equipment	54,666	--	--	54,666
Vehicles	353,610	194,861	--	548,471
Total capital assets being depreciated	<u>408,276</u>	<u>194,861</u>	<u>--</u>	<u>603,137</u>
Less accumulated depreciation for:				
Buildings and improvements	--	--	--	--
Equipment	(48,182)	--	--	(48,182)
Vehicles	(204,418)	(3,622)	--	(208,040)
Total accumulated depreciation	<u>(252,600)</u>	<u>(3,622)</u>	<u>--</u>	<u>(256,222)</u>
Total capital assets being depreciated, net	<u>155,676</u>	<u>191,239</u>	<u>--</u>	<u>346,915</u>
Business-type activities capital assets, net	<u>\$ 4,155,676</u>	<u>\$ 191,239</u>	<u>\$ --</u>	<u>\$ 4,346,915</u>

Depreciation was charged to functions as follows:

General Government	\$ --
Public Protection:	
Ambulance	3,622
	<u>\$ 3,622</u>

H. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2006, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
Other Governmental Funds	Northeast Plan Project	\$ 450,000	Short-term loans
	Total	<u>\$ 450,000</u>	

All amounts due are scheduled to be repaid within one year.

CITY OF SELMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

2. Transfers To and From Other Funds

Transfers to and from other funds at June 30, 2006, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Street maintenance fund	\$ 300,000	Supplement other funds sources
Other Governmental Funds	Street maintenance fund	1,042,130	Supplement other funds sources
General fund	Other Governmental Funds	66,222	Supplement other funds sources
Other Governmental Funds	General Fund	220,620	Supplement other funds sources
Other Governmental Funds	Other Governmental Funds	281,921	Supplement other funds sources
	Total	<u>\$ 1,910,893</u>	

I. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2006, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Revenue bonds-Authority	\$ 24,037,064	\$ --	\$ 825,445	\$ 23,211,619	1,415,833
Revenue bonds-Agency	3,725,000	--	35,000	3,690,000	665,000
Notes	415,310	--	65,934	349,376	70,234
Capital leases	410,610	--	152,755	257,855	66,896
Compensated absences *	451,682	310,193	--	761,875	--
Total governmental activities	<u>\$ 29,039,666</u>	<u>\$ 310,193</u>	<u>\$ 1,079,134</u>	<u>\$ 28,270,725</u>	<u>\$ 2,217,963</u>
<u>Business-type activities:</u>					
General obligation bonds	\$ 62,936	\$ --	\$ 19,555	\$ 43,381	21,550
Capital leases	--	194,861	11,227	183,634	45,000
Compensated absences *	77,310	--	15,644	61,666	--
Total business-type activities	<u>\$ 140,246</u>	<u>\$ 194,861</u>	<u>\$ 46,426</u>	<u>\$ 288,681</u>	<u>\$ 66,550</u>

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General
Claims and judgments	Governmental	General
Compensated absences	Business-type	Ambulance

CITY OF SELMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

Revenue Bonds

A summary of changes in bonds payable of the Authority for the year ended June 30, 2006 is as follows:

Description	Interest Rate Payable	Amount Original Issue	Outstanding June 30, 2005	Issued	Retired	Outstanding June 30, 2006
1993-C	3.75% - 7.25%	7,325,000	\$ 25,000	-- \$	-- \$	25,000
1994	4% - 7.25%	11,570,000	1,890,000	--	115,000	1,775,000
1994-C	7% - 11%	7,550,000	5,935,000	--	--	5,935,000
99 COP	6% - 6.15%	2,300,000	1,300,000	--	230,000	1,070,000
1999-A	4.5% - 5.85%	8,110,000	5,907,064	--	200,445	5,706,619
2001-A	variable	6,850,000	6,650,000	--	75,000	6,575,000
2004-A/B	variable	2,515,000	2,330,000	--	205,000	2,125,000
		<u>\$ 46,220,000</u>	<u>\$ 24,037,064</u>	<u>\$ --</u>	<u>\$ 825,445</u>	<u>\$ 23,211,619</u>

A summary of changes in bonds payable of the enterprise fund for the year ended June 30, 2006 is as follows:

Description	Interest Rate Payable	Amount Original Issue	Outstanding June 30, 2005	Issued	Retired	Outstanding June 30, 2006
1999-A	4.5% - 5.85%	230,800	62,936	--	19,555	43,381
		<u>\$ 230,800</u>	<u>\$ 62,936</u>	<u>\$ --</u>	<u>\$ 19,555</u>	<u>\$ 43,361</u>

A summary of changes in bonds payable of the Agency for the year ended June 30, 2006 is as follows:

Description	Interest Rate Payable	Amount Original Issue	Outstanding June 30, 2005	Issued	Retired	Outstanding June 30, 2006
1994	7.25%	\$ 320,000	\$ 265,000	\$ --	--	\$ 265,000
Industrial Park	5%	3,561,890	3,495,000	--	35,000	3,460,000
		<u>\$ 3,881,890</u>	<u>\$ 3,760,000</u>	<u>\$ --</u>	<u>\$ 35,000</u>	<u>\$ 3,725,000</u>

CITY OF SELMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

2. Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2006, are as follows:

Year Ending June 30.	Authority		
	Governmental Activities		
	Principal	Interest	Total
2007	\$ 1,404,746	\$ 1,358,592	\$ 2,763,338
2008	1,480,000	1,276,091	2,756,091
2009	1,615,000	1,174,609	2,789,609
2010	1,675,000	1,064,787	2,739,787
2011	1,480,000	956,528	2,436,528
2012-2016	8,150,000	3,075,283	11,225,283
2017-2021	5,435,000	1,141,261	6,576,261
2022-2026	1,971,873	157,558	2,129,431
2027-2031	--	--	--
Totals	\$ 23,211,619	\$ 10,204,709	\$ 33,416,328

Year Ending June 30.	Enterprise		
	Business-type Activities		
	Principal	Interest	Total
2007	\$ 21,550	\$ 2,426	\$ 23,976
2008	21,831	1,012	22,843
Totals	\$ 43,381	\$ 3,438	\$ 46,819

Year Ending June 30.	Agency		
	Governmental Activities		
	Principal	Interest	Total
2007	\$ 300,000	\$ 170,375	\$ 470,375
2008	40,000	168,500	208,500
2009	40,000	166,500	206,500
2010	40,000	164,500	204,500
2011	45,000	162,375	207,375
2012-2016	255,000	775,625	1,030,625
2017-2021	325,000	703,375	1,028,375
2022-2026	425,000	610,625	1,035,625
2027-2031	550,000	488,750	1,038,750
2032-2036	1,670,000	469,000	2,139,000
Totals	\$ 3,690,000	\$ 3,879,625	\$ 7,569,625

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2006, as follows:

Year Ending June 30:	
2007	\$ 196,896
2008	111,896
2009	86,709
2010	73,388
2011	33,425
2012-2016	83,065
2017-2021	--
2022-2026	--
Total Minimum Rentals	\$ 585,379

The effective interest rate on capital leases is 7.000%.

CITY OF SELMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

4 Notes Payable

The outstanding notes payable of the City of Selma at June 30, 2006 are as follows:

Selma Health Care District	\$	171,745
Wal-Mart		150,451
Selma Unified		27,180
	\$	<u>415,310</u>

Debt Service Requirements

Debt service requirements on notes payable of the City at June 30, 2006, are as follows:

<u>Year Ending June 30.</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2007	\$ 41,147	\$ 27,270	\$ 68,417
2008	44,147	25,812	69,959
2009	47,187	18,831	66,018
2010	49,147	15,922	65,069
2011	51,047	14,670	65,717
2012-2015	116,701	49,332	166,033
Totals	<u>\$ 349,376</u>	<u>\$ 151,837</u>	<u>\$ 501,213</u>

J. Risk Management

The City participates with other public entities in a joint venture under a joint powers agreement which established the Central San Joaquin Valley Risk Management Authority (CSJVRMA). The relationship between the City and CSJVRMA is such that CSJVRMA is not a component unit of the City for financial reporting purposes.

The City is covered for the first \$1,000,000 of each general liability claim and \$350,000 of each worker's compensation claim through the CSJVRMA. The City has the right to receive dividends or the obligation to pay assessments based on a formula which among other expenses, charges the City's account for liability losses under \$25,000 and workers' compensation losses under \$50,000. The CSJVRMA participates in an excess pool which provides general liability coverage from \$1,000,000 to \$10,000,000 and purchases excess reinsurance from \$10,000,000 to \$15,000,000. The CSJVRMA participates in an excess pool which provides workers' compensation coverage from \$350,000 to \$500,000 and purchases excess reinsurance above \$500,000 to the statutory limit.

The CSJVRMA is a consortium of fifty-five (55) cities in the San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500 et seq. The CSJVRMA is governed by a Board of Directors, which meets three times per year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by the CSJVRMA.

At the termination of the joint powers agreement and after all claims have been settled, any excess or deficit will be divided among the cities in accordance with its governing documents.

CITY OF SELMA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

K. Pension Plan

The City contributes to an employer pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

L. Commitments and Contingencies

1. Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

Sales Tax Revenue Reimbursement Agreement

In pursuing a strategy to ensure the continued operation of certain businesses inside the City limits, the City has entered into sales tax reimbursement agreements. The agreements run from five to fifteen years and require the City to pay the business an amount based on a formula that assures the City a required return in increased sales tax flows.

2. Litigation

No reportable litigation was pending against the City at June 30, 2006.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CITY OF SELMA

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2006

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Taxes	\$ 7,144,000	\$ 7,144,000	\$ 6,817,755	\$ (326,245)
Licenses and permits	616,200	616,200	552,259	(63,941)
Intergovernmental	343,407	343,407	227,690	(115,717)
Charges for services	794,578	794,578	467,302	(327,276)
Fines	4,000	4,000	15,143	11,143
Franchise fees	496,800	496,800	539,054	42,254
Revenue for use of money & property	64,579	64,579	145,633	81,054
Miscellaneous	692,654	92,654	146,365	53,711
Total revenues	<u>10,156,218</u>	<u>9,556,218</u>	<u>8,911,201</u>	<u>(645,017)</u>
Expenditures:				
General government	2,092,682	1,463,656	1,566,577	(102,921)
Public Safety	5,302,518	5,493,152	5,053,229	439,923
Public Works	494,404	502,284	521,437	(19,153)
Community Development	1,055,203	1,074,417	999,096	75,321
Recreation	489,805	496,402	447,271	49,131
Capital outlay	82,291	214,881	199,404	15,477
Debt service:				
Principal	307,567	307,766	437,659	(129,893)
Interest and fiscal charges	113,699	113,500	113,699	(199)
Total expenditures	<u>9,938,169</u>	<u>9,666,058</u>	<u>9,338,372</u>	<u>327,686</u>
Excess (deficiency) of revenues over (under) expenditures	218,049	(109,840)	(427,171)	(317,331)
Other financing sources (uses):				
Operating transfers out	(275,000)	(275,000)	(145,601)	129,399
Total other financing sources (uses)	<u>(275,000)</u>	<u>(275,000)</u>	<u>(145,601)</u>	<u>129,399</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(56,951)	(384,840)	(572,772)	(187,932)
Fund balances/equity, July 1	1,783,771	1,783,771	1,783,771	--
Fund balances/equity, June 30	<u>\$ 1,726,820</u>	<u>\$ 1,398,931</u>	<u>\$ 1,210,999</u>	<u>\$ (187,932)</u>

CITY OF SELMA
STREET MAINTENANCE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2006

EXHIBIT B-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Licenses and permits	\$ --	\$ --	\$ 4,790	\$ 4,790
Intergovernmental	--	--	3,418	3,418
Charges for services	99,580	99,580	96,492	(3,088)
Revenue for use of money & property	(20,000)	(20,000)	(24,957)	(4,957)
Total revenues	<u>79,580</u>	<u>79,580</u>	<u>79,743</u>	<u>163</u>
Expenditures:				
General government	--	--	69	(69)
Public Works	883,069	890,997	996,599	(105,602)
Community Development	--	--	44	(44)
Debt service:				
Principal	119,327	119,327	117,469	1,858
Interest and fiscal charges	159,839	159,839	159,839	--
Total expenditures	<u>1,162,235</u>	<u>1,170,163</u>	<u>1,274,020</u>	<u>(103,857)</u>
Excess (deficiency) of revenues over (under) expenditures	(1,092,655)	(1,090,583)	(1,194,277)	(103,694)
Other financing sources (uses):				
Operating transfers in	1,190,000	1,190,000	1,342,121	152,121
Total other financing sources (uses)	<u>1,190,000</u>	<u>1,190,000</u>	<u>1,342,121</u>	<u>152,121</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	107,345	99,417	147,844	48,427
Fund balances/equity, July 1	(668,295)	(668,295)	(668,295)	--
Fund balances/equity, June 30	<u>\$ (560,950)</u>	<u>\$ (568,878)</u>	<u>\$ (520,451)</u>	<u>\$ 48,427</u>

Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

CITY OF SELMA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
Assets:				
Cash and investments	\$ 22,475	\$ 927,439	\$ 4,869,664	\$ 5,819,578
Cash with fiscal agent	--	1,597,350	--	1,597,350
Accounts receivables	25,125	3,150	--	28,275
Due from other funds	--	--	250,000	250,000
Due from other agencies	684,248	38,419	--	722,667
Total Assets	<u>\$ 731,848</u>	<u>\$ 2,566,358</u>	<u>\$ 5,119,664</u>	<u>\$ 8,417,870</u>
Liabilities:				
Cash deficit	\$ 528,132	\$ 565,987	\$ 431,504	\$ 1,525,623
Accounts payable	240,662	3,706	--	244,368
Accrued wages/benefits	4,513	--	--	4,513
Due to other funds	--	--	450,000	450,000
Due to other agencies	--	78,805	3,220	82,025
Total Liabilities	<u>773,307</u>	<u>648,498</u>	<u>884,724</u>	<u>2,306,529</u>
Fund balances:				
Reserved fund balances:				
Reserved for debt service	--	1,917,860	--	1,917,860
Reserved for low-income housing	--	--	1,811,154	1,811,154
Reserved for capital projects	--	--	1,688,161	1,688,161
Reserved for federal and state programs	(41,459)	--	--	(41,459)
Unreserved, reported in nonmajor:				
Capital projects funds	--	--	735,625	735,625
Total fund balances	<u>(41,459)</u>	<u>1,917,860</u>	<u>4,234,940</u>	<u>6,111,341</u>
Total Liabilities and Fund Balances	<u>\$ 731,848</u>	<u>\$ 2,566,358</u>	<u>\$ 5,119,664</u>	<u>\$ 8,417,870</u>

CITY OF SELMA
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:				
Taxes	\$ --	\$ --	\$ 217,265	\$ 217,265
Intergovernmental	2,518,286	--	--	2,518,286
Charges for services	36,254	--	603,095	639,349
Fines	56,165	--	--	56,165
Revenue for use of money & property	(14,944)	91,544	113,456	190,056
Assessment payment	--	2,209,737	34,323	2,244,060
Miscellaneous	--	797,899	20,000	817,899
Total revenues	<u>2,595,761</u>	<u>3,099,180</u>	<u>988,139</u>	<u>6,683,080</u>
Expenditures:				
General government	87,993	62,111	44,088	194,192
Public Safety	271,260	--	--	271,260
Public Works	50,766	--	--	50,766
Community Development	145,182	20,927	344,878	510,987
Capital outlay	1,186,978	--	439,777	1,626,755
Debt service:				
Principal	--	1,364,080	174,023	1,538,103
Interest and fiscal charges	--	1,692,618	--	1,692,618
Total expenditures	<u>1,742,179</u>	<u>3,139,736</u>	<u>1,002,766</u>	<u>5,884,681</u>
Excess (deficiency) of revenues over (under) expenditur	853,582	(40,556)	(14,627)	798,399
Other financing sources (uses):				
Operating transfers in	221,042	100,103	--	321,145
Operating transfers out	(1,134,164)	--	(361,806)	(1,495,970)
Total other financing sources (uses)	<u>(913,122)</u>	<u>100,103</u>	<u>(361,806)</u>	<u>(1,174,825)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(59,540)	59,547	(376,433)	(376,426)
Fund balances/equity, July 1	18,081	1,858,313	4,611,373	6,487,767
Fund balances/equity, June 30	<u>\$ (41,459)</u>	<u>\$ 1,917,860</u>	<u>\$ 4,234,940</u>	<u>\$ 6,111,341</u>

CITY OF SELMA

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2006

	201	202	204	205
	Traffic Safety	Redevelopment Administration	Public Safety	Redevelopment Housing Administration
Assets:				
Cash and investments	\$ --	\$ --	\$ --	\$ --
Accounts receivables	--	--	--	--
Due from other agencies	15,401	153,424	5,271	11,483
Total Assets	<u>\$ 15,401</u>	<u>\$ 153,424</u>	<u>\$ 5,271</u>	<u>\$ 11,483</u>
Liabilities:				
Cash deficit	\$ --	\$ 268,729	\$ --	\$ 11,483
Accounts payable	--	--	--	--
Accrued wages/benefits	--	2,107	--	591
Total Liabilities	<u>--</u>	<u>270,836</u>	<u>--</u>	<u>12,074</u>
Fund balances:				
Reserved fund balances:				
Reserved for federal and state programs	15,401	(117,412)	5,271	(591)
Total fund balances	<u>15,401</u>	<u>(117,412)</u>	<u>5,271</u>	<u>(591)</u>
Total Liabilities and Fund Balances	<u>\$ 15,401</u>	<u>\$ 153,424</u>	<u>\$ 5,271</u>	<u>\$ 11,483</u>

207 Traffic Congestion Relief Grant	209 AB 1913 Grant	211 Street Gas Tax	214 Street Measure "C"	220 Landscape and Lighting Assesment
\$ 9,824	\$ 58,689	\$ 251	\$ 366	\$ 6,877
--	--	--	--	--
--	--	--	33,767	1,821
<u>\$ 9,824</u>	<u>\$ 58,689</u>	<u>\$ 251</u>	<u>\$ 34,133</u>	<u>\$ 8,698</u>
\$ --	\$ --	\$ --	\$ --	\$ --
50,850	32,063	--	--	--
--	1,140	--	--	--
<u>50,850</u>	<u>33,203</u>	<u>--</u>	<u>--</u>	<u>--</u>
(41,026)	25,486	251	34,133	8,698
<u>(41,026)</u>	<u>25,486</u>	<u>251</u>	<u>34,133</u>	<u>8,698</u>
<u>\$ 9,824</u>	<u>\$ 58,689</u>	<u>\$ 251</u>	<u>\$ 34,133</u>	<u>\$ 8,698</u>

CITY OF SELMA

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2006

	228 Abandoned Vehicle Abatement	230 CDBG Grant	232 Recycling Grant	234 Weed & Seed Grant
Assets:				
Cash and investments	\$ 10,196	\$ (9,190)	\$ 20,991	\$ 5,875
Accounts receivables	--	--	--	--
Due from other agencies	--	10,000	--	--
Total Assets	<u>\$ 10,196</u>	<u>\$ 810</u>	<u>\$ 20,991</u>	<u>\$ 5,875</u>
Liabilities:				
Cash deficit	\$ --	\$ --	\$ --	\$ --
Accounts payable	--	--	--	5,875
Accrued wages/benefits	--	--	--	--
Total Liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>5,875</u>
Fund balances:				
Reserved fund balances:				
Reserved for federal and state programs	10,196	810	20,991	--
Total fund balances	<u>10,196</u>	<u>810</u>	<u>20,991</u>	<u>--</u>
Total Liabilities and Fund Balances	<u>\$ 10,196</u>	<u>\$ 810</u>	<u>\$ 20,991</u>	<u>\$ 5,875</u>

237 State Prop 12 Parks Grant	238 T-21 Project Grant	239 FEMA Grant	242 Traffic Grant	243 Proposition 40 Parks Grant
\$ (21,373)	\$ (10,555)	\$ (289)	\$ (48,545)	\$ --
--	--	--	--	25,125
169,000	10,555	436	42,241	220,000
<u>\$ 147,627</u>	<u>\$ --</u>	<u>\$ 147</u>	<u>\$ (6,304)</u>	<u>\$ 245,125</u>
\$ --	\$ --	\$ --	\$ --	\$ 245,432
149,249	--	--	--	2,625
--	--	--	675	--
<u>149,249</u>	<u>--</u>	<u>--</u>	<u>675</u>	<u>248,057</u>
(1,622)	--	147	(6,979)	(2,932)
<u>(1,622)</u>	<u>--</u>	<u>147</u>	<u>(6,979)</u>	<u>(2,932)</u>
<u>\$ 147,627</u>	<u>\$ --</u>	<u>\$ 147</u>	<u>\$ (6,304)</u>	<u>\$ 245,125</u>

CITY OF SELMA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2006

EXHIBIT C-3
Page 3 of 3

	247 Homeland Security Fire Grant	248 Small Business Support Center	252 DOJ Brynes Grant	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
Assets:				
Cash and investments	\$ (8,174)	\$ 7,532	\$ --	\$ 22,475
Accounts receivables	--	--	--	25,125
Due from other agencies	8,361	--	2,488	684,248
Total Assets	<u>\$ 187</u>	<u>\$ 7,532</u>	<u>\$ 2,488</u>	<u>\$ 731,848</u>
Liabilities:				
Cash deficit	\$ --	\$ --	\$ 2,488	\$ 528,132
Accounts payable	--	--	--	240,662
Accrued wages/benefits	--	--	--	4,513
Total Liabilities	<u>--</u>	<u>--</u>	<u>2,488</u>	<u>773,307</u>
Fund balances:				
Reserved fund balances:				
Reserved for federal and state programs	187	7,532	--	(41,459)
Total fund balances	<u>187</u>	<u>7,532</u>	<u>--</u>	<u>(41,459)</u>
Total Liabilities and Fund Balances	<u>\$ 187</u>	<u>\$ 7,532</u>	<u>\$ 2,488</u>	<u>\$ 731,848</u>

CITY OF SELMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED JUNE 30, 2006

	201	202	204	205
	Traffic Safety	Redevelopment Administration	Public Safety	Redevelopment Housing Administration
Revenue:				
Intergovernmental	\$ --	\$ 158,338	\$ 40,635	\$ 45,232
Charges for services	--	--	--	--
Fines	56,165	--	--	--
Revenue for use of money & property	--	(22,763)	--	(486)
Total revenues	<u>56,165</u>	<u>135,575</u>	<u>40,635</u>	<u>44,746</u>
Expenditures:				
General government	--	53,713	--	14,611
Public Safety	--	--	--	--
Public Works	--	--	--	--
Community Development	--	79,097	--	30,726
Capital outlay	--	--	--	--
Total expenditures	<u>--</u>	<u>132,810</u>	<u>--</u>	<u>45,337</u>
Excess (deficiency) of revenues over (under) expenditures	56,165	2,765	40,635	(591)
Other financing sources (uses):				
Operating transfers in	--	--	--	--
Operating transfers out	(44,631)	--	(40,548)	--
Total other financing sources (uses)	<u>(44,631)</u>	<u>--</u>	<u>(40,548)</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	11,534	2,765	87	(591)
Fund balances/equity, July 1	3,867	(120,177)	5,184	--
Fund balances/equity, June 30	<u>\$ 15,401</u>	<u>\$ (117,412)</u>	<u>\$ 5,271</u>	<u>\$ (591)</u>

207 Traffic Congestion Relief Grant	209 AB 1913 Grant	211 Street Gas Tax	213 Street LTF	214 Street Measure "C"
\$ 71,855	\$ 100,000	\$ 401,434	\$ 243,411	\$ 329,653
--	--	--	--	--
--	--	--	--	--
2,417	2,116	1,734	1,036	1,984
<u>74,272</u>	<u>102,116</u>	<u>403,168</u>	<u>244,447</u>	<u>331,637</u>
--	--	--	--	800
--	42,890	--	--	--
--	--	--	--	--
--	--	--	--	--
115,300	35,941	--	--	--
<u>115,300</u>	<u>78,831</u>	<u>--</u>	<u>--</u>	<u>800</u>
(41,028)	23,285	403,168	244,447	330,837
--	--	--	--	--
--	--	(402,917)	(314,555)	(324,660)
--	--	<u>(402,917)</u>	<u>(314,555)</u>	<u>(324,660)</u>
(41,028)	23,285	251	(70,108)	6,177
2	2,201	--	70,108	27,956
<u>\$ (41,026)</u>	<u>\$ 25,486</u>	<u>\$ 251</u>	<u>\$ --</u>	<u>\$ 34,133</u>

CITY OF SELMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED JUNE 30, 2006

	220 Landscape and Lighting Assesment	228 Abandoned Vehicle Abatement	230 CDBG Grant	232 Recycling Grant
Revenue:				
Intergovernmental	\$ --	\$ 12,526	\$ 56,270	\$ 8,787
Charges for services	36,254	--	--	--
Fines	--	--	--	--
Revenue for use of money & property	--	269	--	737
Total revenues	<u>36,254</u>	<u>12,795</u>	<u>56,270</u>	<u>9,524</u>
Expenditures:				
General government	--	--	--	7,935
Public Safety	--	3,540	--	--
Public Works	50,766	--	--	--
Community Development	412	--	34,779	--
Capital outlay	--	4,500	20,681	--
Total expenditures	<u>51,178</u>	<u>8,040</u>	<u>55,460</u>	<u>7,935</u>
Excess (deficiency) of revenues over (under) expenditu	(14,924)	4,755	810	1,589
Other financing sources (uses):				
Operating transfers in	10,000	--	--	20,000
Operating transfers out	--	--	--	--
Total other financing sources (uses)	<u>10,000</u>	<u>--</u>	<u>--</u>	<u>20,000</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(4,924)	4,755	810	21,589
Fund balances/equity, July 1	13,622	5,441	--	(598)
Fund balances/equity, June 30	<u>\$ 8,698</u>	<u>\$ 10,196</u>	<u>\$ 810</u>	<u>\$ 20,991</u>

234 Weed & Seed Grant	235 Bureau of Justice Grant	237 State Prop 12 Parks Grant	238 T-21 Project Grant	239 FEMA Grant
\$ --	\$ --	\$ 169,000	\$ 409,843	\$ 150,556
--	--	--	--	--
--	--	--	--	--
--	39	(548)	1,623	405
--	39	168,452	411,466	150,961
--	--	--	--	--
--	432	--	--	150,814
--	--	--	--	--
--	--	--	--	--
--	1,409	261,098	444,895	--
--	1,841	261,098	444,895	150,814
--	(1,802)	(92,646)	(33,429)	147
5,875	--	91,024	35,053	--
--	--	--	--	--
5,875	--	91,024	35,053	--
5,875	(1,802)	(1,622)	1,624	147
(5,875)	1,802	--	(1,624)	--
\$ --	\$ --	\$ (1,622)	\$ --	\$ 147

CITY OF SELMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	240	242	243
	HODAG Grant	Traffic Grant	Proposition 40 Parks Grant
Revenue:			
Intergovernmental	\$ --	\$ 53,643	\$ 227,966
Charges for services	--	--	--
Fines	--	--	--
Revenue for use of money & property	--	--	(3,693)
Total revenues	<u>--</u>	<u>53,643</u>	<u>224,273</u>
Expenditures:			
General government	10,934	--	--
Public Safety	--	57,717	--
Public Works	--	--	--
Community Development	--	--	--
Capital outlay	--	843	279,042
Total expenditures	<u>10,934</u>	<u>58,560</u>	<u>279,042</u>
Excess (deficiency) of revenues over (under) expenditures	(10,934)	(4,917)	(54,769)
Other financing sources (uses):			
Operating transfers in	--	--	59,090
Operating transfers out	--	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>59,090</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(10,934)	(4,917)	4,321
Fund balances/equity, July 1	10,934	(2,062)	(7,253)
Fund balances/equity, June 30	<u>\$ --</u>	<u>\$ (6,979)</u>	<u>\$ (2,932)</u>

247 Homeland Security Fire Grant	248 Small Business Support Center	252 DOJ Brynes Grant	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ 26,516	\$ --	\$ 12,621	\$ 2,518,286
--	--	--	36,254
--	--	--	56,165
186	--	--	(14,944)
<u>26,702</u>	<u>--</u>	<u>12,621</u>	<u>2,595,761</u>
--	--	--	87,993
3,246	--	12,621	271,260
--	--	--	50,766
--	168	--	145,182
23,269	--	--	1,186,978
<u>26,515</u>	<u>168</u>	<u>12,621</u>	<u>1,742,179</u>
187	(168)	--	853,582
--	--	--	221,042
(6,853)	--	--	(1,134,164)
<u>(6,853)</u>	<u>--</u>	<u>--</u>	<u>(913,122)</u>
(6,666)	(168)	--	(59,540)
6,853	7,700	--	18,081
<u>\$ 187</u>	<u>\$ 7,532</u>	<u>\$ --</u>	<u>\$ (41,459)</u>

CITY OF SELMA
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2006

	300 Lease Purchase Debt Service City	3021 RDA Upright Debt Service	3041 RDA Upright-Coalinga Debt Service	3071 RDA Theatre Debt Service
Assets:				
Cash and investments	\$ 540	\$ --	\$ (22,209)	\$ --
Cash with fiscal agent	--	672,358	--	--
Accounts receivables	--	--	--	--
Due from other agencies	--	--	--	--
Total Assets	\$ 540	\$ 672,358	\$ (22,209)	\$ --
Liabilities:				
Cash deficit	\$ --	\$ 455,155	\$ --	\$ 76,882
Accounts payable	540	--	--	--
Due to other agencies	--	--	--	--
Total Liabilities	540	455,155	--	76,882
Fund balances:				
Reserved fund balances:				
Reserved for debt service	--	217,203	(22,209)	(76,882)
Total fund balances	--	217,203	(22,209)	(76,882)
Total Liabilities and Fund Balances	\$ 540	\$ 672,358	\$ (22,209)	\$ --

3152 PFA 1993 C Debt Service	3201 RDA-Low Income Hsng. Debt Service	3202 PFA 1994 Debt Service	3302 PFA 1994 B-C Debt Service	3352 PFA Hotel Debt Service
\$ --	\$ 237,357	\$ --	\$ --	\$ 3,163
109,513	--	163,093	4	--
--	--	--	--	--
--	--	--	--	--
<u>\$ 109,513</u>	<u>\$ 237,357</u>	<u>\$ 163,093</u>	<u>\$ 4</u>	<u>\$ 3,163</u>
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	3,163
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>3,163</u>
109,513	237,357	163,093	4	--
<u>109,513</u>	<u>237,357</u>	<u>163,093</u>	<u>4</u>	<u>--</u>
<u>\$ 109,513</u>	<u>\$ 237,357</u>	<u>\$ 163,093</u>	<u>\$ 4</u>	<u>\$ 3,163</u>

CITY OF SELMA

COMBINING BALANCE SHEET

NONMAJOR DEBT SERVICE FUNDS

JUNE 30, 2006

	350 Assmt 91-2 Highland Debt Service	3502 PFA 1999 A Reassessment Debt Service	351 Assmt 92-1 Dancer II Debt Service	352 Assmt 92-1 Dancer III Debt Service
Assets:				
Cash and investments	\$ 127,273	\$ 1,290	\$ 59,889	\$ 32,630
Cash with fiscal agent	--	100,660	--	--
Accounts receivables	--	--	--	--
Due from other agencies	5,687	--	1,109	1,084
Total Assets	<u>\$ 132,960</u>	<u>\$ 101,950</u>	<u>\$ 60,998</u>	<u>\$ 33,714</u>
Liabilities:				
Cash deficit	\$ --	\$ --	\$ --	\$ --
Accounts payable	--	--	--	--
Due to other agencies	--	--	--	--
Total Liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund balances:				
Reserved fund balances:				
Reserved for debt service	132,960	101,950	60,998	33,714
Total fund balances	<u>132,960</u>	<u>101,950</u>	<u>60,998</u>	<u>33,714</u>
Total Liabilities and Fund Balances	<u>\$ 132,960</u>	<u>\$ 101,950</u>	<u>\$ 60,998</u>	<u>\$ 33,714</u>

353 Assmt 91-2 Watermain Debt Service	354 Assmt 91-2 Stillman Debt Service	355 Assmt 91-2 Peasoup Debt Service	3552 PFA 1999 COP Debt Service	356 Assmt 93-1 Briarwood/Vineyar Debt Service
\$ 54,626	\$ (3,646)	\$ 145,668	\$ 7,684	\$ 108,431
--	--	--	233,126	--
--	--	--	--	--
11,453	1,385	9,845	--	2,375
<u>\$ 66,079</u>	<u>\$ (2,261)</u>	<u>\$ 155,513</u>	<u>\$ 240,810</u>	<u>\$ 110,806</u>
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
66,079	(2,261)	155,513	240,810	110,806
<u>66,079</u>	<u>(2,261)</u>	<u>155,513</u>	<u>240,810</u>	<u>110,806</u>
<u>\$ 66,079</u>	<u>\$ (2,261)</u>	<u>\$ 155,513</u>	<u>\$ 240,810</u>	<u>\$ 110,806</u>

CITY OF SELMA

COMBINING BALANCE SHEET

NONMAJOR DEBT SERVICE FUNDS

JUNE 30, 2006

	357 Assmt Theater Debt Service	358 Assmt 91-2 Health Center Debt Service
Assets:		
Cash and investments	\$ 21,310	\$ --
Cash with fiscal agent	--	--
Accounts receivables	--	--
Due from other agencies	1,541	--
Total Assets	<u>\$ 22,851</u>	<u>\$ --</u>
Liabilities:		
Cash deficit	\$ --	\$ 9,883
Accounts payable	--	--
Due to other agencies	--	--
Total Liabilities	<u>--</u>	<u>9,883</u>
Fund balances:		
Reserved fund balances:		
Reserved for debt service	22,851	(9,883)
Total fund balances	<u>22,851</u>	<u>(9,883)</u>
Total Liabilities and Fund Balances	<u>\$ 22,851</u>	<u>\$ --</u>

359 Assmt Upright Debt Service	3602 PFA 2001 A Debt Service	3652 PFA 2004 A-B Debt Service	Total Nonmajor Debt Service Funds (See Exhibit C-1)
\$ 105,653	\$ --	\$ 47,780	\$ 927,439
--	66,921	251,675	1,597,350
--	3,150	--	3,150
3,940	--	--	38,419
<u>\$ 109,593</u>	<u>\$ 70,071</u>	<u>\$ 299,455</u>	<u>\$ 2,566,358</u>
\$ --	\$ 24,067	\$ --	\$ 565,987
--	3	--	3,706
78,805	--	--	78,805
<u>78,805</u>	<u>24,070</u>	<u>--</u>	<u>648,498</u>
30,788	46,001	299,455	1,917,860
<u>30,788</u>	<u>46,001</u>	<u>299,455</u>	<u>1,917,860</u>
<u>\$ 109,593</u>	<u>\$ 70,071</u>	<u>\$ 299,455</u>	<u>\$ 2,566,358</u>

CITY OF SELMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR DEBT SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2006

	300 Lease Purchase Debt Service City	3021 RDA Upright Debt Service	3041 RDA Upright-Coalinga Debt Service	3071 RDA Theatre Debt Service
Revenue:				
Revenue for use of money & property	\$ --	\$ (13,974)	\$ (281)	\$ (3,028)
Assessment payment	--	--	--	73,400
Miscellaneous	788,195	--	--	--
Total revenues	<u>788,195</u>	<u>(13,974)</u>	<u>(281)</u>	<u>70,372</u>
Expenditures:				
General government	8,597	--	--	--
Community Development	--	--	20,287	640
Debt service:				
Principal	450,000	--	2,080	25,000
Interest and fiscal charges	329,598	--	--	14,755
Total expenditures	<u>788,195</u>	<u>--</u>	<u>22,367</u>	<u>40,395</u>
Excess (deficiency) of revenues over (under) expenditure	--	(13,974)	(22,648)	29,977
Other financing sources (uses):				
Operating transfers in	--	--	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	--	(13,974)	(22,648)	29,977
Fund balances/equity, July 1	--	231,177	439	(106,859)
Fund balances/equity, June 30	<u>\$ --</u>	<u>\$ 217,203</u>	<u>\$ (22,209)</u>	<u>\$ (76,882)</u>

3152 PFA 1993 C Debt Service	3201 RDA-Low Income Hsng. Debt Service	3202 PFA 1994 Debt Service	3302 PFA 1994 B-C Debt Service	350 Assmt 91-2 Highland Debt Service
\$ 3,086	\$ 33,678	\$ 5,139	\$ --	\$ 3,481
26,713	--	174,090	--	113,743
--	--	--	--	--
<u>29,799</u>	<u>33,678</u>	<u>179,229</u>	<u>--</u>	<u>117,224</u>
--	--	--	--	5,731
--	--	--	--	--
--	10,000	35,000	--	29,000
--	62,700	110,550	--	79,168
<u>--</u>	<u>72,700</u>	<u>145,550</u>	<u>--</u>	<u>113,899</u>
29,799	(39,022)	33,679	--	3,325
--	100,000	--	--	--
<u>--</u>	<u>100,000</u>	<u>--</u>	<u>--</u>	<u>--</u>
29,799	60,978	33,679	--	3,325
79,714	176,379	129,414	4	129,635
<u>\$ 109,513</u>	<u>\$ 237,357</u>	<u>\$ 163,093</u>	<u>\$ 4</u>	<u>\$ 132,960</u>

CITY OF SELMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	3502 PFA 1999 A Reassessmt Debt Service	351 Assmt 92-1 Dancer II Debt Service	352 Assmt 92-1 Dancer III Debt Service	353 Assmt 91-2 Watermain Debt Service
Revenue:				
Revenue for use of money & property	\$ 24,496	\$ 1,981	\$ 1,039	\$ 1,857
Assessment payment	484,217	25,508	21,679	31,689
Miscellaneous	--	--	4,483	--
Total revenues	<u>508,713</u>	<u>27,489</u>	<u>27,201</u>	<u>33,546</u>
Expenditures:				
General government	1,838	5,194	5,033	5,356
Community Development	--	--	--	--
Debt service:				
Principal	180,000	5,000	10,000	11,000
Interest and fiscal charges	388,597	17,725	16,863	16,391
Total expenditures	<u>570,435</u>	<u>27,919</u>	<u>31,896</u>	<u>32,747</u>
Excess (deficiency) of revenues over (under) expenditu	(61,722)	(430)	(4,695)	799
Other financing sources (uses):				
Operating transfers in	--	--	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(61,722)	(430)	(4,695)	799
Fund balances/equity, July 1	163,672	61,428	38,409	65,280
Fund balances/equity, June 30	<u>\$ 101,950</u>	<u>\$ 60,998</u>	<u>\$ 33,714</u>	<u>\$ 66,079</u>

354 Assmt 91-2 Stillman Debt Service	355 Assmt 91-2 Peasoup Debt Service	3552 PFA 1999 COP Debt Service	356 Assmt 93-1 Briarwood/Vineyard Debt Service	357 Assmt Theater Debt Service
\$ (335)	\$ 2,925	\$ 7,866	\$ 3,232	\$ (497)
27,692	196,892	298,759	57,596	30,815
--	--	21	--	--
<u>27,357</u>	<u>199,817</u>	<u>306,646</u>	<u>60,828</u>	<u>30,318</u>
3,652	5,336	1,858	4,905	2,073
--	--	--	--	--
9,000	58,000	230,000	15,000	15,000
18,093	131,803	66,921	34,545	8,108
<u>30,745</u>	<u>195,139</u>	<u>298,779</u>	<u>54,450</u>	<u>25,181</u>
(3,388)	4,678	7,867	6,378	5,137
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
(3,388)	4,678	7,867	6,378	5,137
1,127	150,835	232,943	104,428	17,714
<u>\$ (2,261)</u>	<u>\$ 155,513</u>	<u>\$ 240,810</u>	<u>\$ 110,806</u>	<u>\$ 22,851</u>

CITY OF SELMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	358 Assmt 91-2 Health Center Debt Service	359 Assmt Upright Debt Service
Revenue:		
Revenue for use of money & property	\$ --	\$ 2,263
Assessment payment	6,921	--
Miscellaneous	--	--
Total revenues	<u>6,921</u>	<u>2,263</u>
Expenditures:		
General government	--	2,238
Community Development	--	--
Debt service:		
Principal	--	--
Interest and fiscal charges	--	7,658
Total expenditures	<u>--</u>	<u>9,896</u>
Excess (deficiency) of revenues over (under) expenditures	6,921	(7,633)
Other financing sources (uses):		
Operating transfers in	--	103
Total other financing sources (uses)	<u>--</u>	<u>103</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	6,921	(7,530)
Fund balances/equity, July 1	(16,804)	38,318
Fund balances/equity, June 30	<u>\$ (9,883)</u>	<u>\$ 30,788</u>

3602 PFA 2001 A Debt Service	3652 PFA 2004 A-B Debt Service	Total Nonmajor Debt Service Funds (See Exhibit C-2)
\$ 1,925	\$ 16,691	\$ 91,544
345,350	294,673	2,209,737
3,200	2,000	797,899
<u>350,475</u>	<u>313,364</u>	<u>3,099,180</u>
8,300	2,000	62,111
--	--	20,927
75,000	205,000	1,364,080
288,095	101,048	1,692,618
<u>371,395</u>	<u>308,048</u>	<u>3,139,736</u>
(20,920)	5,316	(40,556)
--	--	100,103
<u>--</u>	<u>--</u>	<u>100,103</u>
(20,920)	5,316	59,547
66,921	294,139	1,858,313
<u>\$ 46,001</u>	<u>\$ 299,455</u>	<u>\$ 1,917,860</u>

CITY OF SELMA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2006

	110	111	402	4021
	Reserve	Equipment Replacement	Development Impact Police Facility	RDA Courthouse Capital Project
Assets:				
Cash and investments	\$ 668,606	\$ 67,019	\$ 92,757	\$ 264,225
Due from other funds	--	--	--	--
Total Assets	<u><u>\$ 668,606</u></u>	<u><u>\$ 67,019</u></u>	<u><u>\$ 92,757</u></u>	<u><u>\$ 264,225</u></u>
Liabilities:				
Cash deficit	\$ --	\$ --	\$ --	\$ --
Due to other funds	--	--	--	--
Due to other agencies	--	--	--	--
Total Liabilities	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>--</u></u>
Fund balances:				
Reserved fund balances:				
Reserved for low-income housing	--	--	--	--
Reserved for capital projects	--	--	92,757	264,225
Unreserved, reported in nonmajor:				
Capital projects funds	668,606	67,019	--	--
Total fund balances	<u><u>668,606</u></u>	<u><u>67,019</u></u>	<u><u>92,757</u></u>	<u><u>264,225</u></u>
Total Liabilities and Fund Balances	<u><u>\$ 668,606</u></u>	<u><u>\$ 67,019</u></u>	<u><u>\$ 92,757</u></u>	<u><u>\$ 264,225</u></u>

403 Development Impact Fire Facility	404 Developmental Impact City Facilities	4041 RDA Housing Project Capital Project	405 Developmental Impact Storm Drain	406 Developmental Impact Sewer
\$ 119,279	\$ 557,608	\$ 867,447	\$ --	\$ 511,156
--	--	--	--	100,000
<u>\$ 119,279</u>	<u>\$ 557,608</u>	<u>\$ 867,447</u>	<u>\$ --</u>	<u>\$ 611,156</u>
\$ --	\$ --	\$ --	\$ 335,046	\$ --
--	--	--	--	--
--	--	3,064	--	--
<u>--</u>	<u>--</u>	<u>3,064</u>	<u>335,046</u>	<u>--</u>
--	--	864,383	--	--
119,279	557,608	--	(335,046)	611,156
--	--	--	--	--
<u>119,279</u>	<u>557,608</u>	<u>864,383</u>	<u>(335,046)</u>	<u>611,156</u>
<u>\$ 119,279</u>	<u>\$ 557,608</u>	<u>\$ 867,447</u>	<u>\$ --</u>	<u>\$ 611,156</u>

CITY OF SELMA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2006

	407 Developmental Impact Parks and Recreation	408 Long Range Planning Fee	4121 RDA Industrial Park Capital Project
Assets:			
Cash and investments	\$ 477,364	\$ 65,922	\$ --
Due from other funds	150,000	--	--
Total Assets	<u>\$ 627,364</u>	<u>\$ 65,922</u>	<u>\$ --</u>
Liabilities:			
Cash deficit	\$ --	\$ --	\$ 74,535
Due to other funds	--	--	--
Due to other agencies	--	--	156
Total Liabilities	<u>--</u>	<u>--</u>	<u>74,691</u>
Fund balances:			
Reserved fund balances:			
Reserved for low-income housing	--	--	--
Reserved for capital projects	627,364	65,922	(74,691)
Unreserved, reported in nonmajor:			
Capital projects funds	--	--	--
Total fund balances	<u>627,364</u>	<u>65,922</u>	<u>(74,691)</u>
Total Liabilities and Fund Balances	<u>\$ 627,364</u>	<u>\$ 65,922</u>	<u>\$ --</u>

4151 RDA Housing Bond Capital Project	432 Construction 97-2 Theater	435 City Hall Construction	441 Northeast Plan Project	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ 946,771	\$ --	\$ 24,247	\$ 207,263	\$ 4,869,664
--	--	--	--	250,000
<u>\$ 946,771</u>	<u>\$ --</u>	<u>\$ 24,247</u>	<u>\$ 207,263</u>	<u>\$ 5,119,664</u>
\$ --	\$ 21,923	\$ --	\$ --	\$ 431,504
--	--	--	450,000	450,000
--	--	--	--	3,220
<u>--</u>	<u>21,923</u>	<u>--</u>	<u>450,000</u>	<u>884,724</u>
946,771	--	--	--	1,811,154
--	(21,923)	24,247	(242,737)	1,688,161
--	--	--	--	735,625
<u>946,771</u>	<u>(21,923)</u>	<u>24,247</u>	<u>(242,737)</u>	<u>4,234,940</u>
<u>\$ 946,771</u>	<u>\$ --</u>	<u>\$ 24,247</u>	<u>\$ 207,263</u>	<u>\$ 5,119,664</u>

CITY OF SELMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	110	111	402	4021
	Reserve	Equipment Replacement	Development Impact Police Facility	RDA Courthouse Capital Project
Revenue:				
Taxes	\$ --	\$ --	\$ --	\$ --
Charges for services	--	--	41,803	--
Revenue for use of money & property	25,828	5,417	2,499	--
Assessment payment	--	--	--	--
Miscellaneous	--	20,000	--	--
Total revenues	<u>25,828</u>	<u>25,417</u>	<u>44,302</u>	<u>--</u>
Expenditures:				
General government	--	--	--	--
Community Development	--	--	--	5,800
Capital outlay	--	292,195	--	--
Debt service:				
Principal	--	--	--	--
Total expenditures	<u>--</u>	<u>292,195</u>	<u>--</u>	<u>5,800</u>
Excess (deficiency) of revenues over (under) expenditure	25,828	(266,778)	44,302	(5,800)
Other financing sources (uses):				
Operating transfers out	(111,590)	--	--	--
Total other financing sources (uses)	<u>(111,590)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(85,762)	(266,778)	44,302	(5,800)
Fund balances/equity, July 1	754,368	333,797	48,455	270,025
Fund balances/equity, June 30	<u>\$ 668,606</u>	<u>\$ 67,019</u>	<u>\$ 92,757</u>	<u>\$ 264,225</u>

403 Development Impact Fire Facility	404 Developmental Impact City Facilities	4041 RDA Housing Project Capital Project	405 Developmental Impact Storm Drain	406 Developmental Impact Sewer
\$ --	\$ --	\$ 217,265	\$ --	\$ --
51,526	178,239	--	7,486	116,009
3,231	19,073	25,252	(10,172)	17,323
--	--	34,323	--	--
--	--	--	--	--
<u>54,757</u>	<u>197,312</u>	<u>276,840</u>	<u>(2,686)</u>	<u>133,332</u>
--	--	--	--	--
--	--	25,440	56,518	9,000
--	26,422	--	13,493	--
--	127,166	34,231	--	--
<u>--</u>	<u>153,588</u>	<u>59,671</u>	<u>70,011</u>	<u>9,000</u>
54,757	43,724	217,169	(72,697)	124,332
--	--	(100,000)	--	--
<u>--</u>	<u>--</u>	<u>(100,000)</u>	<u>--</u>	<u>--</u>
54,757	43,724	117,169	(72,697)	124,332
64,522	513,884	747,214	(262,349)	486,824
<u>\$ 119,279</u>	<u>\$ 557,608</u>	<u>\$ 864,383</u>	<u>\$ (335,046)</u>	<u>\$ 611,156</u>

CITY OF SELMA

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	407 Developmental Impact Parks and Recreation	408 Long Range Planning Fee	4121 RDA Industrial Park Capital Project	4151 RDA Housing Bond Capital Project
Revenue:				
Taxes	\$ --	\$ --	\$ --	\$ --
Charges for services	179,250	28,782	--	--
Revenue for use of money & property	23,122	1,883	--	--
Assessment payment	--	--	--	--
Miscellaneous	--	--	--	--
Total revenues	<u>202,372</u>	<u>30,665</u>	<u>--</u>	<u>--</u>
Expenditures:				
General government	--	--	--	--
Community Development	--	--	5,471	--
Capital outlay	13,700	--	93,967	--
Debt service:				
Principal	12,110	--	516	--
Total expenditures	<u>25,810</u>	<u>--</u>	<u>99,954</u>	<u>--</u>
Excess (deficiency) of revenues over (under) expenditures	176,562	30,665	(99,954)	--
Other financing sources (uses):				
Operating transfers out	(150,113)	--	--	--
Total other financing sources (uses)	<u>(150,113)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	26,449	30,665	(99,954)	--
Fund balances/equity, July 1	600,915	35,257	25,263	946,771
Fund balances/equity, June 30	<u>\$ 627,364</u>	<u>\$ 65,922</u>	<u>\$ (74,691)</u>	<u>\$ 946,771</u>

432 Construction 97-2 Theater	435 City Hall Construction	439 Construction Upright Tax Exempt	441 Northeast Plan Project	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ --	\$ --	\$ --	\$ --	\$ 217,265
--	--	--	--	603,095
--	--	--	--	113,456
--	--	--	--	34,323
--	--	--	--	20,000
--	--	--	--	988,139
--	--	44,000	88	44,088
--	--	--	242,649	344,878
--	--	--	--	439,777
--	--	--	--	174,023
--	--	44,000	242,737	1,002,766
--	--	(44,000)	(242,737)	(14,627)
--	--	(103)	--	(361,806)
--	--	(103)	--	(361,806)
--	--	(44,103)	(242,737)	(376,433)
(21,923)	24,247	44,103	--	4,611,373
\$ (21,923)	\$ 24,247	\$ --	\$ (242,737)	\$ 4,234,940

CITY OF SELMA

COMBINING STATEMENT OF NET ASSETS

NONMAJOR ENTERPRISE FUNDS

JUNE 30, 2006

	Enterprise Fund	Enterprise Fund	Total Nonmajor Enterprise Funds (See Exhibit A-7)
	Pioneer Village	Cultural Arts	
Assets:			
Cash and investments	\$ 157,366	\$ --	\$ 157,366
Fixed assets (net, where applicable, of accumulated depre	--	3,300	3,300
Total Assets	<u>\$ 157,366</u>	<u>\$ 3,300</u>	<u>\$ 160,666</u>
Liabilities:			
Cash deficit	\$ --	\$ 3,001	\$ 3,001
Accounts payable	1,039	--	1,039
Total Liabilities	<u>1,039</u>	<u>3,001</u>	<u>4,040</u>
Net Assets:			
Invested in capital assets, net of related debt	--	1,406	1,406
Unrestricted	156,327	(1,107)	155,220
Total net assets	<u>156,327</u>	<u>299</u>	<u>156,626</u>
Total Liabilities and Fund Balances	<u>\$ 157,366</u>	<u>\$ 3,300</u>	<u>\$ 160,666</u>

CITY OF SELMA

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Enterprise Fund	Enterprise Fund	Enterprise Fund	Total Nonmajor Enterprise Funds (See Exhibit A-8)
	Pioneer Village	Cultural Arts	Selma Manufacturing Complex	
Operating Revenues:				
Charges for services	\$ 5,328	\$ --	\$ --	\$ 5,328
Revenue for use of money & property	21,345	(9)	--	21,336
Miscellaneous	106,156	5,353	400	111,909
Total Operating Revenues	<u>132,829</u>	<u>5,344</u>	<u>400</u>	<u>138,573</u>
Operating Expenses:				
Purchased professional and technical services	15,458	4,740	--	20,198
Other internal services	19,679	5,124	400	25,203
Total Operating Expenses	<u>35,137</u>	<u>9,864</u>	<u>400</u>	<u>45,401</u>
Operating Income (Loss)	<u>97,692</u>	<u>(4,520)</u>	<u>--</u>	<u>93,172</u>
Transfers:				
Interfund operating transfers in	--	--	--	--
Interfund operating transfers out	--	--	--	--
Net income	97,692	(4,520)	--	93,172
Retained earnings/fund balances, July 1	58,635	4,819	--	63,454
Retained earnings/fund balances, June 30	<u>\$ 156,327</u>	<u>\$ 299</u>	<u>\$ --</u>	<u>\$ 156,626</u>

CITY OF SELMA

COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2006

	Pioneer Village	Cultural Arts	Total Nonmajor Enterprise Funds (See Exhibit A-9)
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 132,829	\$ 5,344	\$ 138,173
Cash Receipts (Payments) for Quasi-external			--
Cash Payments to Suppliers for Goods and Services	(34,238)	(9,864)	(44,102)
Net Cash Provided (Used) by Operating Activities	<u>98,591</u>	<u>(4,520)</u>	<u>94,071</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	98,591	(4,520)	94,071
Cash and Cash Equivalents at Beginning of Year	58,775	1,519	60,294
Cash and Cash Equivalents at End of Year	<u>\$ 157,366</u>	<u>\$ (3,001)</u>	<u>\$ 154,365</u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	\$ 97,692	\$ (4,520)	\$ 93,172
Adjustments to Reconcile Operating Income to Net			
Cash Provided by Operating Activities			
Depreciation	--	--	--
Change in Assets and Liabilities:			
Increase (Decrease) in Accounts Payable	899	--	899
Total Adjustments	<u>899</u>	<u>--</u>	<u>899</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 98,591</u>	<u>\$ (4,520)</u>	<u>\$ 94,071</u>

CITY OF SELMA**COMBINING STATEMENT OF NET ASSETS****INTERNAL SERVICE FUNDS**

JUNE 30, 2006

	700	701
	<u>Insurance</u>	<u>Fleet Management</u>
Assets:		
Cash and investments	\$ 113,567	\$ --
Accounts receivables	--	--
Due from other agencies	--	2,658
Deposits	5,015	--
Inventories	--	--
Prepaid items	4,801	--
Total Assets	<u>\$ 123,383</u>	<u>\$ 2,658</u>
Liabilities:		
Cash deficit	\$ --	\$ 17,376
Accounts payable	--	3,015
Accrued wages/benefits	--	1,196
Total Liabilities	<u>--</u>	<u>21,587</u>
Net Assets:		
Unrestricted	123,383	(18,929)
Total net assets	<u>123,383</u>	<u>(18,929)</u>
Total Liabilities and Fund Balances	<u>\$ 123,383</u>	<u>\$ 2,658</u>

702	703	704	Total Internal Service Funds (See Exhibit A-7)
Building & Utility	General Overhead	Information Processing	
\$ --	\$ --	\$ --	\$ 113,567
286	966	--	1,252
--	--	--	2,658
--	--	--	5,015
--	680	--	680
--	--	--	4,801
<u>\$ 286</u>	<u>\$ 1,646</u>	<u>\$ --</u>	<u>\$ 127,973</u>
\$ 136	\$ --	\$ 168	\$ 17,680
5,046	--	--	8,061
698	407	1,268	3,569
<u>5,880</u>	<u>407</u>	<u>1,436</u>	<u>29,310</u>
(5,594)	1,239	(1,436)	98,663
<u>(5,594)</u>	<u>1,239</u>	<u>(1,436)</u>	<u>98,663</u>
<u>\$ 286</u>	<u>\$ 1,646</u>	<u>\$ --</u>	<u>\$ 127,973</u>

CITY OF SELMA

COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	700	701
	<u>Insurance</u>	<u>Fleet Management</u>
Operating Revenues:		
Charges for services	\$ 1,528,701	\$ 470,788
Miscellaneous	118,225	--
Total Operating Revenues	<u>1,646,926</u>	<u>470,788</u>
Operating Expenses:		
Personal services - salaries and wages	--	40,365
Personal services - employee benefits	--	20,357
Purchased professional and technical services	82,550	102,503
Other internal services	1,498,259	300,898
Capital outlay	--	19,872
Total Operating Expenses	<u>1,580,809</u>	<u>483,995</u>
Operating Income (Loss)	<u>66,117</u>	<u>(13,207)</u>
Transfers:		
Interfund operating transfers in	--	--
Interfund operating transfers out	--	--
Net income	66,117	(13,207)
Retained earnings/fund balances, July 1	57,266	(5,722)
Retained earnings/fund balances, June 30	<u>\$ 123,383</u>	<u>\$ (18,929)</u>

702	703	704	Total Internal Service Funds (See Exhibit A-8)
Building & Utility	General Overhead	Information Processing	
\$ 611,241	\$ 159,062	\$ 126,075	\$ 2,895,867
--	--	--	118,225
<u>611,241</u>	<u>159,062</u>	<u>126,075</u>	<u>3,014,092</u>
21,878	13,948	42,657	118,848
7,672	4,742	7,201	39,972
1,482	21,549	33,354	241,438
579,616	45,358	34,625	2,458,756
--	72,850	6,523	99,245
<u>610,648</u>	<u>158,447</u>	<u>124,360</u>	<u>2,958,259</u>
593	615	1,715	55,833
--	--	--	--
--	--	--	--
593	615	1,715	55,833
(6,187)	624	(3,151)	42,830
<u>\$ (5,594)</u>	<u>\$ 1,239</u>	<u>\$ (1,436)</u>	<u>\$ 98,663</u>

CITY OF SELMA**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES****AGENCY FUNDS****JUNE 30, 2006**

	800	802	803
	Finance	Community	Planning
	Clearing	Services	Clearing
Assets:			
Cash and investments	\$ 1,271	\$ 490	\$ 84,055
Total Assets	<u>\$ 1,271</u>	<u>\$ 490</u>	<u>\$ 84,055</u>
Liabilities:			
Accounts payable	\$ 1,271	\$ 490	\$ 84,055
Total Liabilities	<u>1,271</u>	<u>490</u>	<u>84,055</u>
Net Assets:			
Total net assets	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

804 Public Works Clearing	805 Senior Citizens Clearing	806 Police Dept Clearing	808 Engineering Clearing
\$ 3,121	\$ 15,503	\$ 9,706	\$ 155,941
<u>\$ 3,121</u>	<u>\$ 15,503</u>	<u>\$ 9,706</u>	<u>\$ 155,941</u>
 \$ 3,121	 \$ 15,503	 \$ 9,706	 \$ 155,941
<u>3,121</u>	<u>15,503</u>	<u>9,706</u>	<u>155,941</u>
 \$ --	 \$ --	 \$ --	 \$ --
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>

CITY OF SELMA

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2006

	834 Sister City Fund	836 Graffiti Reward Fund	Total Agency Funds (See Exhibit A-10)
Assets:			
Cash and investments	\$ 675	\$ 700	\$ 271,462
Total Assets	<u>\$ 675</u>	<u>\$ 700</u>	<u>\$ 271,462</u>
Liabilities:			
Accounts payable	\$ 675	\$ 700	\$ 271,462
Total Liabilities	<u>675</u>	<u>700</u>	<u>271,462</u>
Net Assets:			
Total net assets	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

Jorge & Yribarren

Certified Public Accountants

Larry M. Jorge CPA, CFP
Steven B. Yribarren, CPA

November 15, 2006

Independent Auditors' Report

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

City Council
City of Selma
Selma, California

Members of the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Selma as of and for the year ended June 30, 2006, which collectively comprise the City of Selma's basic financial statements and have issued our report thereon dated November 15, 2006. 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.

Internal Control Over Financial Reporting

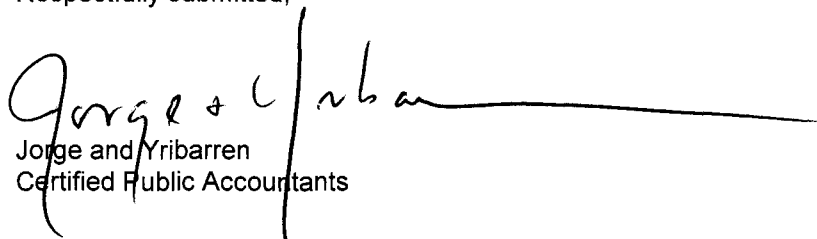
In planning and performing our audit, we considered City of Selma's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Selma's financial statements are free of 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*.

This report is intended solely for the information and use of management, others within the organization, the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jorge & Yribarren", followed by a long horizontal line extending to the right.

Jorge and Yribarren
Certified Public Accountants

Jorge & Yribarren

Certified Public Accountants

Larry M. Jorge CPA, CFP
Steven B. Yribarren, CPA

November 15, 2006

Independent Auditors' Report

Report on Compliance with Requirements Applicable To each Major Program and Internal Control over Compliance In Accordance With OMB Circular A-133

City Council
City of Selma
Selma, California

Members of the City Council:

Compliance

We have audited the compliance of City of Selma with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. City of Selma's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Selma's management. Our responsibility is to express an opinion on City of Selma's compliance based on our audit.

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 City of Selma'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. Our audit does not provide a legal determination on City of Selma's compliance with those requirements.

In our opinion, City of Selma complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

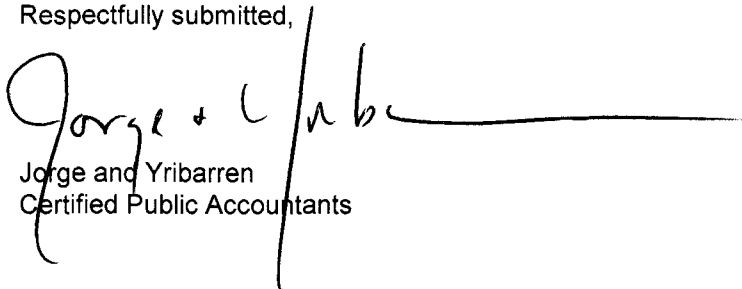
Internal Control Over Compliance

The management of City of Selma is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Selma's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jorge + Yribarren", followed by a long horizontal line extending to the right. The signature is written over the printed name and title.

Jorge and Yribarren
Certified Public Accountants

CITY OF SELMA**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006****A. Summary of Auditor's Results****1. Financial Statements**Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Reportable condition(s) identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported

Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No
---	-------------------	-----------------

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Reportable condition(s) identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	<u> </u> Yes	<u> X </u> No
--	-------------------	-----------------

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	TEA 21 Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?	<u> X </u> Yes	<u> </u> No
--	------------------	------------------

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

CITY OF SELMA**EXHIBIT D-1****SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct Program:			
Healthy Cities Grant	Unavailable	--	\$ 20,000
Total U.S. Department of Housing and Urban Development			<u>20,000</u>
<u>U. S. DEPARTMENT OF TRANSPORTATION</u>			
Direct Program:			
TEA 21 *	20.205	--	445,421
Total U. S. Department of Transportation			<u>445,421</u>
<u>U. S. DEPARTMENT OF JUSTICE</u>			
Direct Programs:			
Local Law Enforcement Block Grant	16.592	--	1,802
Supplemental Law Enforcement Services Fund	16.592	--	2,200
Supplemental Law Enforcement CLEET Grant	16.592	--	42,073
Supplemental Traffic Congestion Relief Grant	16.592	--	115,300
Office of Justice Programs	16.592	--	24,011
Total Direct Programs			<u>185,386</u>
Total U. S. Department of Justice			<u>185,386</u>
<u>U. S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>			
Direct Program:			
Community Development Block Grant *	14.219	--	159,599
Total U. S. Department of Housing & Urban Development			<u>159,599</u>
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Direct Programs:			
FMAAA-Title IIIB *	93.044	--	17,569
FMAAA-Title IIIC-1 *	93.045	--	7,064
Total Direct Programs			<u>24,633</u>
Total U. S. Department of Health and Human Services			<u>24,633</u>
<u>DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Program:			
FEMA Fire Grant	85.554		150,814
Total Department of Homeland Security			<u>150,814</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 985,853</u>

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

CITY OF SELMA**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006****Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Selma and is presented on the modified accrual basis of accounting. 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 amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.