

CITY OF SELMA

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FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT

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YEAR ENDED JUNE 30, 2012

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December 19, 2013

Honorable City Council of  
The City of Selma  
Selma, California

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Selma as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City 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 the 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.

In our opinion, 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 the City of Selma as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows 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 December 19, 2013, on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-9 and 44-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Selma's financial statements as a whole. The combining financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Sampson, Sampson & Patterson, LLP*

**CITY OF SELMA**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2012**

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, 2012. Please read it in conjunction with the accompanying transmittal letter, the basic financial statements, and accompanying notes to those financial statements.

**Financial Highlights**

- The City's governmental funds ended the year with a combined fund balance of \$6.99 million.
- The City's General Fund ended the year with a balance of \$44,831, an increase of \$1,032,058 from the previous year.

**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, increases 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 rise to the change occurs. Thus, revenues and expenses are reported on this statement for some items that will result in cash flows 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 practical purposes as a department of the City, and therefore has been included under government activities as an integral part of the City.

**CITY OF SELMA**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2012**  
**(continued)**

*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, Street Maintenance Fund, and the Developmental Impact Streets & Traffic 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 and the Street Maintenance Fund. Budgetary comparison statements have been provided for the General Fund and the Street Maintenance Fund to demonstrate compliance to their budgets.

*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 the ambulance service and the Selma Manufacturing Complex, plus several non-major enterprise activities. Internal service funds are used to account for activities that 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.

**CITY OF SELMA**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2012**  
**(continued)**

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 the Selma Manufacturing Complex funds, 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 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.

**CITY OF SELMA**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2012**  
**(continued)**

**Government-wide Financial Analysis**

Below is a table showing the City's net assets for the fiscal year ended June 30, 2012, with comparative data for the fiscal year ended June 30, 2011.

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 10,885,162	\$ 8,138,847	\$ 924,763	\$1,183,841	\$ 11,809,925	\$ 9,322,688
Capital and long-term assets	<u>54,458,707</u>	<u>58,357,687</u>	<u>347,039</u>	<u>390,670</u>	<u>54,805,746</u>	<u>58,748,357</u>
Total assets	<u>\$ 65,343,869</u>	<u>\$66,496,534</u>	<u>\$ 1,271,802</u>	<u>\$1,574,511</u>	<u>\$ 66,615,671</u>	<u>\$68,071,045</u>
Long-term liabilities						
outstanding	\$ 9,728,180	\$17,162,705	\$	\$ 183,535	\$ 9,728,180	\$17,346,240
Other liabilities	<u>1,446,153</u>	<u>2,949,156</u>	<u>176,097</u>	<u>99,919</u>	<u>1,622,250</u>	<u>3,049,075</u>
Total liabilities	<u>11,174,333</u>	<u>20,111,861</u>	<u>176,097</u>	<u>283,454</u>	<u>11,350,430</u>	<u>20,395,315</u>
Net assets	<u>\$ 54,169,536</u>	<u>\$46,384,673</u>	<u>\$ 1,095,705</u>	<u>\$1,291,057</u>	<u>\$ 55,265,241</u>	<u>\$47,675,730</u>
Investment in capital assets						
net of related debt	\$ 47,715,921	\$43,911,315	\$ 299,590	\$ 337,145	\$ 48,015,511	\$44,248,460
Restricted	10,668,717	6,550,309			10,668,717	6,550,309
Unrestricted	<u>(4,215,102)</u>	<u>(4,076,951)</u>	<u>796,115</u>	<u>953,912</u>	<u>(3,418,987)</u>	<u>(3,123,039)</u>
Total net assets	<u>\$ 54,169,536</u>	<u>\$46,384,673</u>	<u>\$ 1,095,705</u>	<u>\$1,291,057</u>	<u>\$ 55,265,241</u>	<u>\$47,675,730</u>

As of June 30, 2012 the City's government-wide total assets exceeded liabilities (net assets) by \$55.2 million. Governmental activities finished the year with a positive net asset balance of \$54.1 million. Business type activities finished the year with a positive balance of \$1.1 million. Net assets as noted earlier may serve over time as a useful indicator of the City's financial position.

A portion of 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. Approximately 36% 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.

Restricted net assets amount to \$10.6 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.

**CITY OF SELMA**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2012**  
**(continued)**

**Governmental Activities**

The following lists key components of these activities:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 653,982	\$ 1,022,986	\$ 3,342,085	\$ 2,979,625	\$ 3,996,067	\$ 4,002,611
Operating grants and contributions	343,209	34,190	1,675	2,919	344,884	37,109
Capital grants and contributions	1,787,260				1,787,260	
General revenues:						
Taxes	8,575,913	8,338,800			8,575,913	8,338,800
Licenses and permits	375,733	189,714			375,733	189,714
Intergovernmental charges	2,028,867	3,694,466			2,028,867	3,694,466
Fines	87,027	87,138			87,027	87,138
Franchise fees	722,205	704,187			722,205	704,187
Use of money and						
Property	93,048	32,836	30,414	2,812	123,462	35,648
Miscellaneous	644,832	418,368	1,815	1,602	646,647	419,970
Transfers	424,449		(424,449)			
Total revenues	<u>15,736,525</u>	<u>14,522,685</u>	<u>2,951,540</u>	<u>2,986,958</u>	<u>18,688,065</u>	<u>17,509,643</u>
<b>Expenses</b>						
General government	1,479,747	1,492,327			1,479,747	1,492,327
Public safety	6,055,703	5,612,873			6,055,703	5,612,873
Public works	2,405,567	1,715,852			2,405,567	1,715,852
Community development	2,100,269	2,037,145			2,100,269	2,037,145
Cultural and recreation	339,456	227,297			339,456	227,297
Intergovernmental charges		24,125				24,125
Capital outlay		980,608				980,608
Debt service	756,622	1,481,591			756,622	1,481,591
Ambulance			1,878,264	1,805,259	1,878,264	1,805,259
Pioneer village			29,334	50,242	29,334	50,242
Garbage services			1,224,700	1,126,737	1,224,700	1,126,737
Cultural arts			14,594	16,620	14,594	16,620
Total expenses	<u>13,137,364</u>	<u>13,571,818</u>	<u>3,146,892</u>	<u>2,998,858</u>	<u>16,284,256</u>	<u>16,570,676</u>
Extraordinary Gain on Dissolution of Redevelopment Agency	5,185,702				5,185,702	
Increase in net assets	7,784,863	950,867	(195,352)	(11,900)	7,589,511	938,967
Prior period adjustments		(111,299)				(111,299)
Net assets -- beginning	<u>46,384,673</u>	<u>45,545,105</u>	<u>1,291,057</u>	<u>1,302,957</u>	<u>47,675,730</u>	<u>46,848,062</u>
Net assets - ending	<u>\$ 54,169,536</u>	<u>\$ 46,384,673</u>	<u>\$ 1,095,705</u>	<u>\$ 1,291,057</u>	<u>\$ 55,265,241</u>	<u>\$ 47,675,730</u>

The Governmental revenues for the year were \$15.7 million. Taxes, which include property, sales and other taxes account for \$8.576 million or 54.5% of the City's governmental activities revenue. Total governmental expenses for the year were \$13.2 million. Public Safety, which includes police and fire, accounts for \$6.1 million or 46.2% of the total governmental activity expenses.

**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**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2012**  
**(continued)**

**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 \$6.99 million, which is an increase of \$1.4 million, when compared to the prior year.

**Proprietary funds.** As indicated in the description of proprietary funds, there are two types of funds, enterprise and internal service funds. The Ambulance and Garbage funds ended the year with a positive unrestricted balance.

**General Fund Budgetary Highlights expropriations**

Throughout the fiscal year it was not considered 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.

**Capital Assets and Debt Administration**

**Capital Assets.** The City's Investment in Capital Assets for its governmental and business-type activities are as follows:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 7,790,302	\$ 8,112,177	\$	\$	\$ 7,790,302	\$ 8,112,177
Construction in progress	3,912,655	1,793,954			3,912,655	1,793,954
Building and improvements	3,899,308	4,170,313	264,882	264,882	4,164,190	4,435,195
Machinery and equipment	7,835,252	7,606,354	782,102	782,102	8,617,354	8,388,456
Road network	<u>90,871,648</u>	<u>90,432,572</u>			<u>90,871,648</u>	<u>90,432,572</u>
Total	<u>\$114,309,165</u>	<u>\$112,115,370</u>	<u>\$ 1,046,984</u>	<u>\$1,046,984</u>	<u>\$115,356,149</u>	<u>\$113,162,354</u>

**Long-term Debt.** The City's long-term debt as of June 30, 2012 was \$10.4 million with governmental activities accounting for most debt.

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Special assessment debt with governmental commitment	\$ 3,885,000	\$ 4,175,000	\$	\$	\$ 3,885,000	\$ 4,175,000
Tax allocation bonds		3,600,000				3,600,000
Capital leases	663,624	896,320	47,449	93,164	711,073	989,484
Lease revenue bonds		3,225,000				3,225,000
Certificates of participation						
Revenue bonds	5,190,000	5,310,000			5,190,000	5,310,000
Notes	<u>62,125</u>	<u>119,218</u>			<u>62,125</u>	<u>119,218</u>
Total	<u>\$ 9,800,749</u>	<u>\$17,325,538</u>	<u>\$ 47,449</u>	<u>\$ 93,164</u>	<u>\$ 9,848,198</u>	<u>\$17,418,702</u>

**CITY OF SELMA**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2012**  
**(continued)**

**Economic Factors**

The City's main revenue sources are property taxes and sales taxes. These revenue sources, along with the slowdown in building activity, had a detrimental impact on the City's ability to deliver services to its residents.

Studies provided by the City's sales tax consultants indicate that sales tax revenues have begun to rebound and will continue to do so for the next three years of the forecast.

Residential building activity has increased subsequent to June 30, 2012, and it is anticipated that trend will continue through 2013 and beyond.

**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.

**CITY OF SELMA**  
**Statement of Net Assets**  
**June 30, 2012**

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 5,404,736	\$ 330,398	\$ 5,735,134
Receivables:			
Accounts, net	290,441	551,035	841,476
Notes	3,759,000		3,759,000
Intergovernmental	1,385,828	82,558	1,468,386
Prepaid expenses	1,400		1,400
Internal balances	40,000	(40,000)	
Inventory	3,757	772	4,529
Cash with fiscal agent - restricted	889,162		889,162
Capital assets (net of accumulated depreciation):			
Non-depreciable	11,702,957		11,702,957
Depreciable	<u>41,866,588</u>	<u>347,039</u>	<u>42,213,627</u>
Total assets	<u>65,343,869</u>	<u>1,271,802</u>	<u>66,615,671</u>
<b>Liabilities</b>			
Accounts payable	307,194	5,305	312,499
Accrued wages/benefits	253,992	111,556	365,548
Deposits and other liabilities	250,651	11,787	262,438
Noncurrent liabilities:			
Due within one year	634,316	47,449	681,765
Due in more than one year	<u>9,728,180</u>		<u>9,728,180</u>
Total liabilities	<u>11,174,333</u>	<u>176,097</u>	<u>11,350,430</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	47,715,921	299,590	48,015,511
Restricted for:			
Capital projects	2,442,599		2,442,599
Community development	3,843,467		3,843,467
Debt service	1,199,197		1,199,197
Public safety	58,044		58,044
Social services	8,626		8,626
Streets and roads	3,116,784		3,116,784
Unrestricted	<u>(4,215,102)</u>	<u>796,115</u>	<u>(3,418,987)</u>
Total net assets	<u>\$54,169,536</u>	<u>\$1,095,705</u>	<u>\$55,265,241</u>

See independent auditor's report and notes to financial statements.

**CITY OF SELMA**  
**Statement of Activities**  
**For the Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental activities:							
General government	\$ 1,479,747	\$ 56,719	\$ 15,484	\$	\$ (1,407,544)	\$	\$ (1,407,544)
Public safety	6,055,703	98,794	304,725	56,809	(5,595,374)		(5,595,374)
Public works	2,405,567	245,644		1,274,758	(885,165)		(885,165)
Community development	2,100,269	195,933	23,000	455,693	(1,425,643)		(1,425,643)
Parks and recreation	339,456	56,892			(282,564)		(282,564)
Interest on long-term debt	<u>756,622</u>				<u>(756,622)</u>		<u>(756,622)</u>
Total governmental activities	<u>13,137,364</u>	<u>653,982</u>	<u>343,209</u>	<u>1,787,260</u>	<u>(10,352,912)</u>		<u>(10,352,912)</u>
Business-type activities:							
Ambulance	1,878,264	2,114,211				235,947	235,947
Garbage	1,224,700	1,222,090				(2,610)	(2,610)
Pioneer Village	29,334	5,044	1,675			(22,615)	(22,615)
Cultural arts	<u>14,594</u>	<u>740</u>				<u>(13,854)</u>	<u>(13,854)</u>
Total business-type activities	<u>3,146,892</u>	<u>3,342,085</u>	<u>1,675</u>			<u>196,868</u>	<u>196,868</u>
Total primary government	<u>\$16,284,256</u>	<u>\$3,996,067</u>	<u>\$344,884</u>	<u>\$1,787,260</u>	<u>\$(10,352,912)</u>	<u>\$ 196,868</u>	<u>\$(10,156,044)</u>
General revenues:							
Taxes					8,575,913		8,575,913
Licenses & Permits					375,733		375,733
Intergovernmental					2,028,867		2,028,867
Fines					87,027		87,027
Franchise fees					722,205		722,205
Use of money & property					93,048	30,414	123,462
Assessments					233,684		233,684
Miscellaneous					179,874	1,815	181,689
Sale of property					231,273		231,273
Transfers					<u>424,449</u>	<u>(424,449)</u>	
Total general revenues and transfers					<u>12,952,073</u>	<u>(392,220)</u>	<u>12,559,853</u>
Extraordinary Gain on Dissolution of Redevelopment Agency					5,185,702		5,185,702
Change in net assets					<u>7,784,863</u>	<u>(195,352)</u>	<u>7,589,511</u>
Net assets, beginning of year					<u>46,384,673</u>	<u>1,291,057</u>	<u>47,675,730</u>
Net assets, end of year					<u>\$54,169,536</u>	<u>\$1,095,705</u>	<u>\$55,265,241</u>

See independent auditor's report and notes to financial statements.

**CITY OF SELMA  
Balance Sheet  
Governmental Funds  
June 30, 2012**

	General Fund	Street Maintenance Fund	Developmental Impact Streets & Traffic	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments	\$ 52,157	\$	\$ 113,149	\$ 4,807,926	\$ 4,973,232
Cash with fiscal agent		339,580		549,582	889,162
Accounts receivable	120,847	4,095		163,068	288,010
Interfund receivables	309,033		1,335,623	1,233,825	2,878,481
Due from other agencies	165,356			1,220,472	1,385,828
Inventories	3,166				3,166
Prepaid items	1,400				1,400
Total assets	<u>\$651,959</u>	<u>\$ 343,675</u>	<u>\$1,448,772</u>	<u>\$ 7,974,873</u>	<u>\$10,419,279</u>
<b>Liabilities</b>					
Accounts payable	116,522	13,907		133,580	264,009
Accrued wages/benefits	215,991			28,590	244,581
Interfund payables	200,000	523,627		2,114,854	2,838,481
Other liabilities	74,615			3,163	77,778
Total liabilities	<u>607,128</u>	<u>537,534</u>	<u></u>	<u>2,280,187</u>	<u>3,424,849</u>
<b>Fund balance</b>					
Nonspendable	4,566				4,566
Restricted for:					
Streets and roads			1,448,772	1,668,012	3,116,784
Public safety				58,044	58,044
Community development				84,467	84,467
Social services				8,626	8,626
Debt service				1,204,827	1,204,827
Capital projects				2,442,599	2,442,599
Committed for:					
Community development				700	700
Recreation				1,139	1,139
Capital projects				1,247,524	1,247,524
Assigned for:					
Community development				15,333	15,333
Equipment replacement				154,723	154,723
Unassigned	40,265	(193,859)		(1,191,308)	(1,344,902)
Total fund balance	<u>44,831</u>	<u>(193,859)</u>	<u>1,448,772</u>	<u>5,694,686</u>	<u>6,994,430</u>
Total liabilities and fund balance	<u>\$651,959</u>	<u>\$ 343,675</u>	<u>\$1,448,772</u>	<u>\$ 7,974,873</u>	<u>\$10,419,279</u>

See independent auditor's report and notes to financial statements.

**CITY OF SELMA**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to Statement of Net Assets**  
**June 30, 2012**

Total fund balance – governmental funds balance sheet	\$ 6,994,430
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	53,569,545
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	(10,362,496)
Internal service funds are used by management to charge the costs of certain activities, such as self-insurance, to individual funds. The assets and liabilities of the internal service fund must be added to the statement of net assets.	209,057
Assessments receivable unavailable to pay for current period expenditures are deferred in the funds.	<u>3,759,000</u>
Net assets of governmental activities – Statement of Net Assets	<u>\$ 54,169,536</u>

**CITY OF SELMA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2012**

	General Fund	Street Maintenance Fund	RDA General Debt Service	Developmental Impact Streets & Traffic	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$6,409,756	\$	\$ 558,777	\$	\$ 1,607,380	\$ 8,575,913
Licenses and permits	367,356	8,377				375,733
Intergovernmental	114,377				4,044,959	4,159,336
Charges for services	261,533	165,904			226,545	653,982
Fines	3,968				83,059	87,027
Franchise fees	722,205					722,205
Revenue for use of money and property	14,179	(2,739)		2,208	81,745	95,393
Assessment payments					677,754	677,754
Miscellaneous	128,949	3,365			47,560	179,874
<b>Total revenues</b>	<u>8,022,323</u>	<u>174,907</u>	<u>558,777</u>	<u>2,208</u>	<u>6,769,002</u>	<u>15,527,217</u>
<b>Expenditures</b>						
General government	1,429,566				27,462	1,457,028
Public safety	5,355,950				555,752	5,911,702
Public works	289,433	17,768			198,368	505,569
Community development	189,679	990,118	309,696		630,190	2,119,683
Recreation	295,686	24,166	265			320,117
Capital outlay	93,962				2,055,370	2,149,332
Debt service:						
Principal	159,274	43,822			500,290	703,386
Interest and fiscal charges	61,791	278,238			416,593	756,622
<b>Total expenditures</b>	<u>7,875,341</u>	<u>1,354,112</u>	<u>309,961</u>		<u>4,384,025</u>	<u>13,923,439</u>
Excess (deficiency) of revenues over (under) expenditures	146,982	(1,179,205)	248,816	2,208	2,384,977	1,603,778
<b>Other financing sources (uses)</b>						
Sale of capital assets					360,000	360,000
Operating transfers in	885,076	1,284,241			1,439,538	3,608,855
Operating transfers out		(12,379)			(3,099,377)	(3,111,756)
<b>Total other financing sources (uses)</b>	<u>885,076</u>	<u>1,271,862</u>			<u>(1,299,839)</u>	<u>857,099</u>
Net change in fund balance before extraordinary item	1,032,058	92,657	248,816	2,208	1,085,138	2,460,877
Extraordinary gain (loss)						
Dissolution of redevelopment agency			651,039		(1,680,568)	(1,029,529)
<b>Total extraordinary gain (loss)</b>			<u>651,039</u>		<u>(1,680,568)</u>	<u>(1,029,529)</u>
Net change in fund balance	1,032,058	92,657	899,855	2,208	(595,430)	1,431,348
Fund balance, beginning of year	(987,227)	(286,516)	(899,855)	1,446,564	6,290,116	5,563,082
Fund balance, end of year	<u>\$ 44,831</u>	<u>\$ (193,859)</u>	<u>\$</u>	<u>\$1,448,772</u>	<u>\$ 5,694,686</u>	<u>\$ 6,994,430</u>

See independent auditor's report and notes to financial statements.

**CITY OF SELMA**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2012**

Net change in fund balance – total governmental funds	\$1,431,348
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current period.	(4,417)
All proceeds from the sale of capital assets are reported in the funds but not in the statement of activities.	(128,727)
Payments received on long-term receivables are reported as revenues in the fund statements but reduced the receivable amount in the statement of net assets.	(444,070)
Repayment of debt principal is an expenditure in the funds but is not an expense in the statement of activities.	703,386
The net revenue (expense) of internal service funds is reported with governmental activities	(103,395)
Compensated absences are reported as the amount earned in the statement of activities but as the amount paid in the funds.	115,507
Extraordinary gain/(loss) in the statement of activities resulted from the increase or decrease of long-term assets and liabilities which were not reported in the governmental funds. This was caused by the dissolution of the Selma Redevelopment Agency, see note 1 for more details.	<u>6,215,231</u>
Change in net assets of governmental activities – Statement of Activities	<u>\$7,784,863</u>

**CITY OF SELMA**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2012**

	Business-Type Activities – Enterprise Funds				Internal Service Funds
	Ambulance	Garbage	Nonmajor Enterprise Funds	Total	
<b>Assets</b>					
Current assets:					
Cash and investments	\$ 144,415	\$	\$ 185,983	\$ 330,398	\$431,504
Accounts receivables, net	550,783		252	551,035	2,431
Due from other agencies		82,558		82,558	
Inventories	772			772	591
Interfund receivables	68,841		7,894	76,735	779
Total current assets	<u>764,811</u>	<u>82,558</u>	<u>194,129</u>	<u>1,041,498</u>	<u>435,305</u>
Noncurrent assets:					
Capital assets:					
Machinery and equipment	778,587		268,397	1,046,984	
Less: Accumulated depreciation	(438,481)		(261,464)	(699,945)	
Total noncurrent assets	<u>340,106</u>		<u>6,933</u>	<u>347,039</u>	
Total assets	<u>\$1,104,917</u>	<u>\$82,558</u>	<u>\$ 201,062</u>	<u>\$1,388,537</u>	<u>\$435,305</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	\$ 5,305	\$	\$	\$ 5,305	\$ 43,185
Accrued wages/benefits	111,556			111,556	9,411
Deposits payable					119,345
Other liabilities			11,787	11,787	
Interfund payables		68,841	47,894	116,735	779
Leases payable	47,449			47,449	
Total current liabilities	<u>164,310</u>	<u>68,841</u>	<u>59,681</u>	<u>292,832</u>	<u>172,720</u>
Noncurrent liabilities:					
Deposits payable					53,528
Total noncurrent liabilities					<u>53,528</u>
Total liabilities	<u>164,310</u>	<u>68,841</u>	<u>59,681</u>	<u>292,832</u>	<u>226,248</u>
<b>Net assets</b>					
Invested in capital assets, net of related debt	292,657		6,933	299,590	
Unrestricted	647,950	13,717	134,448	796,115	209,057
Total net assets	<u>940,607</u>	<u>13,717</u>	<u>141,381</u>	<u>1,095,705</u>	<u>209,057</u>
Total liabilities and net assets	<u>\$1,104,917</u>	<u>\$82,558</u>	<u>\$ 201,062</u>	<u>\$1,388,537</u>	<u>\$435,305</u>

See independent auditor's report and notes to financial statements.

**CITY OF SELMA**  
**Statement of Revenues, Expenses, and**  
**Changes in Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2012**

	Business-Type Activities – Enterprise Funds				Internal Service Funds
	Ambulance	Garbage	Nonmajor Enterprise Funds	Total	
<b>Operating Revenues</b>					
Taxes	\$	\$1,222,090	\$	\$1,222,090	\$
Charges for services	2,114,211		5,784	2,119,995	3,729,393
Rents			28,957	28,957	
Miscellaneous			3,490	3,490	823
Total operating revenues	<u>2,114,211</u>	<u>1,222,090</u>	<u>38,231</u>	<u>3,374,532</u>	<u>3,730,216</u>
<b>Operating Expenses</b>					
Personnel services	1,309,102			1,309,102	274,402
Services and supplies	300,843	1,224,700	25,536	1,551,079	696,056
Other internal services	220,329		17,566	237,895	2,790,503
Depreciation	44,487		826	45,313	
Total operating expenses	<u>1,874,761</u>	<u>1,224,700</u>	<u>43,928</u>	<u>3,143,389</u>	<u>3,760,961</u>
Operating income (loss)	239,450	(2,610)	(5,697)	231,143	(30,745)
<b>Nonoperating revenues (expenses)</b>					
Investment income (loss)	1,267	(306)	496	1,457	
Interest expense	(3,503)			(3,503)	
Total nonoperating revenues (expenses)	<u>(2,236)</u>	<u>(306)</u>	<u>496</u>	<u>(2,046)</u>	
Income (loss) before transfers	237,214	(2,916)	(5,201)	229,097	(30,745)
<b>Transfers</b>					
Transfers in					
Transfers out	(424,449)			(424,449)	(72,650)
Net transfers	<u>(424,449)</u>			<u>(424,449)</u>	<u>(72,650)</u>
Changes in net assets	(187,235)	(2,916)	(5,201)	(195,352)	(103,395)
Net assets, beginning of year	<u>1,127,842</u>	<u>16,633</u>	<u>146,582</u>	<u>1,291,057</u>	<u>312,452</u>
Net assets, end of year	<u>\$ 940,607</u>	<u>\$ 13,717</u>	<u>\$141,381</u>	<u>\$1,095,705</u>	<u>\$ 209,057</u>

See independent auditor's report and notes to financial statements.

**CITY OF SELMA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2012**

	Business-Type Activities – Enterprise Funds				Internal Service Funds
	Ambulance	Garbage	Nonmajor Enterprise Funds	Total	
<b>Cash flows from operating activities</b>					
Cash received for current services	\$ 2,121,598	\$	\$ 5,532	\$ 2,127,130	\$ 3,726,338
Cash received for rents			28,957	28,957	
Cash received for other operating revenues		1,139,532	3,490	1,143,022	823
Cash paid for services and supplies	(524,305)	(1,224,700)	(41,550)	(1,790,555)	(3,260,134)
Cash paid for salaries and benefits	(1,369,681)			(1,369,681)	(273,953)
Net cash provided (used) by operating activities	<u>227,612</u>	<u>(85,168)</u>	<u>(3,571)</u>	<u>138,873</u>	<u>193,074</u>
<b>Cash flows from noncapital financing activities</b>					
Transfers (to) from other funds	(424,449)			(424,449)	(72,650)
Loans from/(to) other funds	(68,841)	68,841			779
Net cash provided (used) by financing activities	<u>(493,290)</u>	<u>68,841</u>		<u>(424,449)</u>	<u>(71,871)</u>
<b>Cash flows from capital and related financing activities</b>					
Principal paid on long-term debt	(45,715)			(45,715)	
Interest paid	(3,503)			(3,503)	
Capital expenditures	(9)		(1,673)	(1,682)	
Net cash provided (used) by capital and related financing activities	<u>(49,227)</u>		<u>(1,673)</u>	<u>(50,900)</u>	
<b>Cash flows from investing activities</b>					
Other nonoperating revenue (expense)		(306)		(306)	
Interest received	1,267		496	1,763	
Net cash provided (used) by investing activities	<u>1,267</u>	<u>(306)</u>	<u>496</u>	<u>1,457</u>	
Net increase (decrease) in cash and cash equivalents	(313,638)	(16,633)	(4,748)	(335,019)	121,203
Cash and cash equivalents, beginning of year	458,053	16,633	190,731	665,417	310,301
Cash and cash equivalents, end of year	<u>\$ 144,415</u>	<u>\$</u>	<u>\$185,983</u>	<u>\$ 330,398</u>	<u>\$ 431,504</u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Operating income/(loss)	\$ 239,450	\$ (2,610)	\$ (5,697)	\$ 231,143	\$ (30,745)
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation	44,487		826	45,313	
(Increase) decrease in net assets:					
Accounts receivable	7,387	(82,558)	(252)	(75,423)	(3,055)
Deposits					42,211
Inventories	(518)			(518)	(371)
Increase (decrease) in net liabilities:					
Accounts payable	(2,615)			(2,615)	11,712
Accrued wages/benefits	(60,579)			(60,579)	449
Deposits payable					172,873
Other liabilities			1,552	1,552	
Total adjustments	<u>(11,838)</u>	<u>(82,558)</u>	<u>2,126</u>	<u>(92,270)</u>	<u>223,819</u>
Net cash provided (used) by operating activities	<u>\$ 227,612</u>	<u>\$ (85,168)</u>	<u>\$ (3,571)</u>	<u>\$ 138,873</u>	<u>\$ 193,074</u>

See independent auditor's report and notes to financial statements.

**CITY OF SELMA**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2012**

	Redevelopment Successor Agency Private-Purpose Trust Funds	Agency Funds
<b>Assets</b>		
Cash and investments	\$ 560,445	\$91,226
Restricted cash with fiscal agent	360,150	
Due from other agencies	31,000	5,805
Notes receivable	688,625	
Capital assets	<u>321,875</u>	
Total Assets	<u>\$ 1,962,095</u>	<u>\$97,031</u>
<b>Liabilities</b>		
Accounts payable	\$ 65,285	\$ 5,130
Deposits		33,013
Other		58,888
Long-term debt	<u>7,260,000</u>	
Total Liabilities	<u>7,325,285</u>	<u>97,031</u>
<b>Net Assets (Deficit)</b>		
Held in trust for retirement of obligations of the former Selma Redevelopment Agency	<u>(5,363,190)</u>	
Total Net Assets (Deficit)	<u>\$(5,363,190)</u>	<u>\$</u>

See independent auditor's report and notes to financial statements.

**CITY OF SELMA**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2012**

	Redevelopment Successor Agency Private-Purpose Trust Funds
<b>Additions:</b>	
Investment earnings	
Miscellaneous	\$ 16,584
Total Additions	<u>793</u> 17,377
<b>Deductions</b>	
Community development	
Interest and fiscal charges	1,688
Total Deductions	<u>193,177</u> 194,865
<b>Extraordinary gain (loss)</b>	
Dissolution of redevelopment agency	<u>(5,185,702)</u>
Change in net assets	<u>(5,363,190)</u>
Net assets, February 1, 2012	
Net assets, June 30, 2012	<u><u>\$(5,363,190)</u></u>

See independent auditor's report and notes to financial statements.

**CITY OF SELMA**  
**Notes to Financial Statements**  
**June 30, 2012**

**NOTE 1 – 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.

**CITY OF SELMA**  
**Notes to Financial Statements**  
**June 30, 2012**  
**(Continued)**

Blended Component Units

Based on the aforementioned oversight criteria, the operations of the Selma Redevelopment Agency (Agency) and Selma Public Finance 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.

2. Basis of Presentation, Basis of Accounting

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 have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange 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, results 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.

**CITY OF SELMA**  
**Notes to Financial Statements**  
**June 30, 2012**  
**(Continued)**

The City reports the following major governmental funds:

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

RDA General and PFA 2001 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 in the Selma Redevelopment Agency prior to dissolution and the Selma Public Finance Authority.

Development Impact Streets and Traffic: This fund accounts for street activity funded with development impact fees.

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.

Garbage Fund: This is the fund that accounts for the transactions between the City and Selma Disposal, who provides the commercial and residential garbage collection for the City.

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.

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

Private Purpose Trust Fund: This fund is used to account for the assets of the former City of Selma Redevelopment Agency during the wind down period.

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 flow takes 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

**CITY OF SELMA**  
**Notes to Financial Statements**  
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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 not to apply future FASB standards.

3. Financial Statement Amounts

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.

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.

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**Notes to Financial Statements**  
**June 30, 2012**  
**(Continued)**

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 will 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.

Inventories and Prepaid Items

Inventories on the balance sheet are stated at weighted average cost. Inventory items are recorded as expenditures when they are consumed.

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

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 end 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.

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

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Building Improvement	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

Payable Balances

The City believes that sufficient detail of 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.

**CITY OF SELMA**  
**Notes to Financial Statements**  
**June 30, 2012**  
**(Continued)**

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.

Fund Balances -- Governmental Funds

Fund balances of the governmental funds are classified as follows:

*Nonspendable Fund Balance* – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

*Restricted Fund Balance* – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

*Committed Fund Balance* -- represents amounts that can only be used for specific purposes because of a formal action by the City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the City Council. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

*Assigned Fund Balance* -- represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the City Council or by an official or body to which the City Council delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

*Unassigned Fund Balance* – represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

**CITY OF SELMA**  
**Notes to Financial Statements**  
**June 30, 2012**  
**(Continued)**

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

Recent Changes in Legislation affecting California Redevelopment Agencies

On December 29, 2011, the Supreme Court of the State of California (the "Court") upheld the enforceability of legislation that provides for the dissolution of California redevelopment agencies, but struck down the Assembly Bill X1 27 which would have provided a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. As a result of the Court ruling, the dissolution of California Redevelopment Agencies was effective as of February 1, 2012.

Assembly Bill X1 26, signed into law as part of the State's budget package on June 29, 2011, requires each California Redevelopment Agency to suspend nearly all activities except to complete existing contracts, meet already-incurred obligations, preserve its assets, prepare for the impending dissolution of the agency, and transfer all of its assets to a Successor Agency that is governed by an oversight board representing the various taxing jurisdictions of the community.

Assembly Bill X1 26 also required each agency to adopt an Enforceable Obligation Payment Schedule and draft a Recognized Obligation Payment Schedule prior to September 30, 2011. Enforceable obligations include bonds, loans and payments required by the federal or State government; legally enforceable payments required in connection with Agency employees such as pension payments and unemployment payments, judgments or settlements; legally binding and enforceable agreements or contracts; and contracts or agreements necessary for the continued administration or operation of the agency that are permitted for purposes set forth in Assembly Bill X1 26. Only the amount of tax revenues necessary to fund the payments reflected on the Enforceable Obligation Payment Schedule will be allocated to the Successor Agencies.

Assembly Bill X1 26 directs the Department of Finance of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the Successor Agency as defined in Assembly Bill X1 26.

**CITY OF SELMA**  
**Notes to Financial Statements**  
**June 30, 2012**  
**(Continued)**

On January 30, 2012, the City Council of the City of Selma adopted Resolution No. 2012-5R electing to retain the housing assets and functions previously performed by the dissolved Selma Redevelopment Agency pursuant to Section 34176(a)(1) of the California Health and Safety Code. All remaining assets and liabilities of the Agency in the amount of \$5,185,702 were transferred to the Redevelopment Successor Agency Private-Purpose Trust Fund and are reported in the Fiduciary Funds.

The transfer of the assets and liabilities of the former redevelopment agency from and after February 1, 2012, from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary gain for funds with a negative fund balance and an extraordinary loss for funds with a positive fund balance. The receipt of these assets and liabilities as of January 31, 2012, was reported in the Private-Purpose Trust Fund as an extraordinary loss.

Because of the different measurement focus of the governmental funds (*current financial resources measurement focus*) and the measurement focus of the trust funds (*economic resources measurement focus*), the extraordinary gain recognized in the governmental funds was not the same amount as the extraordinary loss that was recognized in the fiduciary fund financial statements.

The difference between the extraordinary loss recognized in the fund financial statements and the extraordinary loss recognized in the fiduciary fund financial statements is reconciled as follows:

Total extraordinary loss reported in governmental funds - increase to net assets of the Successor Agency Trust Fund	\$ 1,029,529
Capital assets recorded in the government-wide financial statements – increase to net assets of the Successor Agency Trust Fund	321,875
Assessments receivable recorded in the government-wide statements – increase to net assets of the Successor Agency Trust Fund	851,964
Long-term debt reported in the government-wide financial statements – decrease to net assets of the Successor Agency Trust Fund	<u>(7,389,070)</u>
Net decrease to net assets of the Successor Agency Trust Fund as a result of initial transfers (equal to amount of extraordinary gain reported in the government-wide financial statements of the City)	<u><u>\$(5,185,702)</u></u>

**CITY OF SELMA**  
**Notes to Financial Statements**  
**June 30, 2012**  
**(Continued)**

**NOTE 2 – COMPLIANCE AND ACCOUNTABILITY**

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

Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
Street Maintenance Fund	\$ (193,859)	Retain future excess revenues
Landscape and Lighting Assessment	(53,581)	Retain future excess revenues
T21 Project Grant	(109)	Retain future excess revenues
FEMA Grant	(15,985)	Retain future excess revenues
Traffic Grant	(13,503)	Retain future excess revenues
GRIP Grant	(774)	Retain future excess revenues
ADA Calmmet Grant	(155)	Retain future excess revenues
Federal Grants Fund	(27,032)	Retain future excess revenues
PFA 2001 Debt Service Fund	(3)	Retain future excess revenues
Assessment 91-2 Stillman DS	(5,633)	Retain future excess revenues
Development Impact Storm Drain	(277,423)	Retain future excess revenues
Long Range Planning	(291,903)	Retain future excess revenues
Northeast Plan Project	(369,278)	Retain future excess revenues
Tutelian Project	(1,642)	Retain future excess revenues
Selma Crossing Project	(134,290)	Retain future excess revenues
Transit Fund	(8)	Retain future excess revenues
Cultural Arts Enterprise Fund	(48,074)	Retain future excess revenues
General Overhead	(1,038)	Retain future excess revenues
Information Processing	(4,558)	Retain future excess revenues
	<u><u>\$ (1,438,848)</u></u>	Retain future excess revenues

**CITY OF SELMA**  
**Notes to Financial Statements**  
**June 30, 2012**  
**(Continued)**

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Cash and investments as of June 30, 2012 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$5,735,134
Restricted cash and investments with fiscal agent	889,162
Fiduciary funds:	
Cash and investments	651,671
Restricted cash and investments with fiscal agent	<u>360,150</u>
Total cash and investments	<u>\$7,636,117</u>

Cash and investments as of June 30, 2012 consists of the following:

Cash on hand	\$ 700
Deposits with financial institutions	1,426,853
Investments	<u>6,208,564</u>
Total cash and investments	<u>\$7,636,117</u>

**Investment Authorized by the California Government Code and the City's Investment Policy**

The table below identifies the investment types that are authorized for the City of Selma (City) by the California Government Code (or the City's investment policy, where more restrictive). The table also identified certain provisions of the California Government Code (or the City's Investment Policy, where more restrictive) that address interest rate risk, credit risk, and the concentration of credit risk. This table does not address investment of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	None	\$40 million
US Treasury Obligations	N/A	None	None
US Government Agency Issues	N/A	None	None
Insured Passbook on Demand Deposits with			
Banks and Savings and Loans	N/A	None	\$100,000
Certificate of Deposits	1 year	None	\$100,000
Bankers Acceptances	N/A	None	None
Commercial Paper	N/A	None	None
Mutual Funds (must be comprised of eligible securities permitted under this policy)	N/A	None	None
Money Market Funds (must be comprised of eligible securities permitted under this policy)	N/A	None	None

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**Notes to Financial Statements**  
**June 30, 2012**  
**(Continued)**

The investment policy allows for the above investments which have equal safety and liquidity as all other allowed investments. Maturity depends on the cash needs of the City.

**Investment Authorized by Debt Agreement**

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest-rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Investment Fund (State Pool)	N/A	None	\$40 million
US Treasury Obligations	N/A	None	None
US Government Agency Issues	N/A	None	None
Insured Passbook on Demand Deposits with Banks and Savings and Loans	N/A	None	None
Certificate of Deposits	1 year	None	None
Bankers Acceptances	1 year	None	None
Commercial Paper	N/A	None	None
Mutual Funds (must be comprised of eligible securities permitted under this policy)	N/A	None	None
Money Market Funds (must be comprised of eligible securities permitted under this policy)	N/A	None	None
Investment Agreements	N/A	None	None

The investment policy allows for the above investments which have equal safety and liquidity as all other allowed investments. Maturity depends on the cash needs of the City.

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk the changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of short-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**CITY OF SELMA**  
**Notes to Financial Statements**  
**June 30, 2012**  
**(Continued)**

Information about the sensitivity of the fair value of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>12 Months Or Less</u>	<u>Longer Than 60 Months</u>
State Investment Pool	\$4,959,252	\$4,959,252	\$
Held by Bond Trustee:			
Money Market Funds	841,062	841,062	
Investment Agreement	<u>408,250</u>	<u>                    </u>	<u>408,250</u>
	<u>\$6,208,564</u>	<u>\$5,800,314</u>	<u>\$408,250</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City has no investments (including investments held by bond trustees) that are highly sensitive to interest-rate fluctuations (to a greater degree than already indicated in the information provided above).

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual Standard and Poor's rating as of fiscal year end for each investment type.

<u>Investment Type</u>	<u>Amount</u>	<u>Ratings as of Fiscal Year End</u>		
		<u>Minimum Legal Rating</u>	<u>Not Rated</u>	<u>AAAm</u>
State Investment Pool	\$4,959,252	N/A	\$4,959,252	\$
Held by Bond Trustee:				
Money Market Funds	841,062	AAAm		841,062
Investment Agreement	<u>408,250</u>	<u>N/A</u>	<u>408,250</u>	<u>                    </u>
	<u>\$6,208,564</u>		<u>\$5,367,502</u>	<u>\$841,062</u>

**CITY OF SELMA**  
**Notes to Financial Statements**  
**June 30, 2012**  
**(Continued)**

Concentration of Credit Risk

The investment policy of the City of Selma contains no limitations on the amount that can be invested with any one issuer beyond that stipulated by the California Government Code. There were no investments in any one issuer that represented 5% or more of the total investments.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (example broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state laws (unless so waived by the governmental unit). The fair value of the pledged securities and the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2012, none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in an uncollateralized accounts. In addition, as of June 30, 2012, no investments were held by the same broker-dealer (counterparty) that was used by the City of Selma to purchase the securities.

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro rata share of the value provided by (LAIF) for the entire (LAIF) portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by (LAIF), which are recorded on an amortized cost basis.

**NOTE 4 – RECEIVABLES**

The following is a list of receivables at June 30, 2012.

	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
Governmental Funds -			
Accounts	\$288,010	\$	\$288,010
Due from other agencies	<u>1,385,878</u>		<u>1,385,828</u>
	<u>\$1,673,838</u>	<u>\$</u>	<u>\$1,673,838</u>
Proprietary Funds -			
Accounts	<u>\$906,747</u>	<u>\$352,781</u>	<u>\$553,466</u>

**CITY OF SELMA**  
**Notes to Financial Statements**  
**June 30, 2012**  
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Fiduciary Funds -			
Due from other agencies	\$ 31,000	\$	\$ 31,000
Notes receivable	<u>688,625</u>	<u>        </u>	<u>688,625</u>
	<u>\$ 719,625</u>	<u>\$</u>	<u>\$ 719,625</u>

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, 2012.

Assessment District No. 1991-2 Improvement Bonds - Highland	\$ 921,000
Assessment District No. 1992-1 Improvement Bonds - Dancer II	205,000
Assessment District No. 1992-1 Supplemental Improvement Bonds - Dancer III	190,000
Assessment District No. 1992-1 Third Supplemental Improvement Bonds - Pea Soup Anderson	1,531,000
Assessment District No. 1993-1 Improvement Bonds - Vineyard	385,000
Assessment District No. 1991-2 Supplemental Bonds - Stillman	204,000
Assessment District No. 1991-2 Supplemental Improvement Bonds - Watermain	193,000
Assessment District No. 1997-1 - Theater	<u>130,000</u>
	<u>\$3,759,000</u>

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balances	Increases	Decreases	Transfer to Successor Agency	Ending Balances
<b>Governmental activities:</b>					
Capital assets not being depreciated:					
Land	\$ 8,112,177	\$	\$	\$(321,875)	\$ 7,790,302
Construction in progress	<u>1,793,954</u>	<u>2,118,701</u>	<u>        </u>	<u>        </u>	<u>3,912,655</u>
Total capital assets not being depreciated	<u>9,906,131</u>	<u>2,118,701</u>	<u>        </u>	<u>(321,875)</u>	<u>11,702,957</u>
Capital assets being depreciated:					
Roads and other infrastructure	90,432,572	439,076			90,871,648
Buildings and improvements	4,170,313		(271,005)		3,899,308
Machinery and equipment	<u>7,606,354</u>	<u>228,898</u>	<u>        </u>	<u>        </u>	<u>7,835,252</u>
Total capital assets being depreciated	<u>102,209,239</u>	<u>667,974</u>	<u>(271,005)</u>	<u>        </u>	<u>102,606,208</u>
Less accumulated depreciation for:					
Roads and other infrastructure	(51,840,288)	(1,779,547)			(53,619,835)
Buildings and improvements	(2,811,026)	(80,545)	142,278		(2,749,293)
Machinery and equipment	<u>(4,032,333)</u>	<u>(338,159)</u>	<u>        </u>	<u>        </u>	<u>(4,370,492)</u>
Total accumulated depreciation	<u>(58,683,647)</u>	<u>(2,198,251)</u>	<u>142,278</u>	<u>        </u>	<u>(60,739,620)</u>
Total capital assets being depreciated, net	<u>43,525,592</u>	<u>(1,530,277)</u>	<u>(128,727)</u>	<u>        </u>	<u>41,866,588</u>
Governmental activities capital assets, net	<u>\$ 53,431,723</u>	<u>\$ 588,424</u>	<u>\$(128,727)</u>	<u>\$(321,875)</u>	<u>\$ 53,569,545</u>
<b>Business-type activities:</b>					
Capital assets being depreciated:					
Buildings and improvements	\$ 264,882	\$	\$	\$	\$ 264,882
Equipment	<u>782,102</u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>782,102</u>
Total capital assets being depreciated	<u>1,046,984</u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>1,046,984</u>
Less accumulated depreciation for:					
Buildings and improvements	(257,122)	(826)			(257,948)
Equipment	<u>(397,510)</u>	<u>(44,487)</u>	<u>        </u>	<u>        </u>	<u>(441,997)</u>
Total accumulated depreciation	<u>(654,632)</u>	<u>(45,313)</u>	<u>        </u>	<u>        </u>	<u>(699,945)</u>
Total capital assets being depreciated, net	<u>392,352</u>	<u>        </u>	<u>        </u>	<u>        </u>	<u>347,039</u>
Business-type activities capital assets, net	<u>\$ 392,352</u>	<u>\$ (45,313)</u>	<u>\$</u>	<u>\$</u>	<u>\$ 347,039</u>

**CITY OF SELMA**  
**Notes to Financial Statements**  
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Depreciation was charged to functions as follows:

Governmental activities depreciation:	
General government	\$ 117,625
Public protection:	
Fire	89,529
Police	107,081
Public ways and facilities, including depreciation to general infrastructure assets	<u>1,884,015</u>
Total governmental activities depreciation expense	<u>\$2,198,250</u>
Business-type activities depreciation:	
Pioneer Village	\$ 826
Ambulance service	<u>44,487</u>
Total business-type activities depreciation	<u>\$ 45,313</u>

**NOTE 6 – INTERFUND BALANCES AND ACTIVITY**

**Interfund Payables and Interfund Receivables**

Balances due to and due from other funds at June 30, 2012, consisted of the following:

<u>Interfund Payables</u>	<u>Interfund Receivables</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Nonmajor Enterprise Funds	\$ 40,000	Short-term loans
General Fund	Street Maintenance Fund	123,627	Short-term loans
General Fund	Nonmajor Debt Service Funds	7,042	Short-term loans
General Fund	Nonmajor Special Revenue Funds	873,987	Short-term loans
Developmental Impact Streets & Traffic	General Fund	935,623	Short-term loans
Developmental Impact Streets & Traffic	Nonmajor Special Revenue Funds	400,000	Short-term loans
Nonmajor Capital Projects Fund	Nonmajor Capital Projects Funds	1,233,825	Short-term loans
Ambulance	Garbage	68,841	Short-term loans
Nonmajor Enterprise Funds	Nonmajor Enterprise Funds	7,894	Short-term loans
Fleet Management	General Overhead	116	Short-term loans
Fleet Management	Information Processing	<u>663</u>	Short-term loans
		<u>\$3,691,618</u>	

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

**Transfers To and From Other Funds**

The purpose of the majority of transfers is to reimburse a fund that has made an expenditure on behalf of another fund. Transfers totaled \$3,608,855 in the fund financial statements as follows:

<u>Transfers Out</u>	<u>Transfers In</u>					<u>Totals</u>
	<u>General</u>	<u>Street Maintenance Fund</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Debt Service Funds</u>	<u>Nonmajor Capital Projects Funds</u>	
Street Maintenance Fund	\$	\$	\$ 12,379	\$	\$	\$ 12,379
Nonmajor Special Revenue Funds	860,627	1,284,241	137,784			2,282,652
Nonmajor Debt Service Funds				589,725		589,725
Nonmajor Capital Projects Funds					227,000	227,000
Propriety	<u>24,449</u>			<u>72,650</u>	<u>400,000</u>	<u>497,099</u>
	<u>\$885,076</u>	<u>\$1,284,241</u>	<u>\$150,163</u>	<u>\$662,375</u>	<u>\$627,000</u>	<u>\$3,608,855</u>

**CITY OF SELMA**  
**Notes to Financial Statements**  
**June 30, 2012**  
**(Continued)**

**NOTE 7 – SHORT-TERM DEBT ACTIVITY**

The City accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

**NOTE 8 – LONG-TERM LIABILITIES**

The following is a summary of changes in the City's long-term liabilities for the fiscal year ended June 30, 2012:

	Balance at July 1, 2011	Increases	Decreases	Transferred to Trust Fund	Balance at June 30, 2012	Due Within One Year
<b>Governmental activities:</b>						
Revenue bonds – Authority	\$ 5,360,000	\$	\$410,000	\$	\$ 4,950,000	\$355,000
Bonds payable – Agency	7,325,000		65,000	7,260,000		
Revenue bonds – City	4,125,000				4,125,000	60,000
Notes	119,218		57,093		62,125	19,595
Capital leases	896,320		232,696		663,624	199,721
Compensated absences	719,151		157,404		561,747	
Total governmental activities	<u>\$18,544,689</u>	<u>\$</u>	<u>\$922,193</u>	<u>\$7,260,000</u>	<u>\$10,362,496</u>	<u>\$634,316</u>
<b>Business-type activities:</b>						
Capital leases	93,164		45,715		47,449	47,449
Compensated absences	136,096		43,968		92,128	
Total business-type activities	<u>\$ 229,260</u>	<u>\$</u>	<u>\$ 89,683</u>	<u>\$</u>	<u>\$ 139,577</u>	<u>\$ 47,449</u>

A summary of changes in bonds payable of the Authority for the year ended June 30, 2012 is as follows:

Description	Interest Rate Payable	Amount Original Issue	Outstanding June 30 2011	Issued	Retired	Outstanding June 30 2012
1994	4% - 7.25%	\$11,570,000	\$1,185,000	\$	\$120,000	\$1,065,000
1999-A	4.5% - 5.85%	<u>8,110,000</u>	<u>4,175,000</u>		<u>290,000</u>	<u>3,885,000</u>
		<u>\$19,680,000</u>	<u>\$5,360,000</u>	<u>\$</u>	<u>\$410,000</u>	<u>\$4,950,000</u>

A summary of changes in Revenue Bonds of the City for the year ended June 30, 2012 is as follows:

Description	Interest Rate Payable	Amount Original Issue	Outstanding June 30 2011	Issued	Retired	Outstanding June 30 2012
2010-A	Various	<u>\$4,125,000</u>	<u>\$4,125,000</u>	<u>\$</u>	<u>\$</u>	<u>\$4,125,000</u>
		<u>\$4,125,000</u>	<u>\$4,125,000</u>	<u>\$</u>	<u>\$</u>	<u>\$4,125,000</u>

**CITY OF SELMA**  
**Notes to Financial Statements**  
**June 30, 2012**  
**(Continued)**

1994 Revenue Bonds

On March 15, 1994, the Selma Public Finance Authority issued \$1,814,000 of Revenue Bonds to finance improvements for the City Hall of Selma and refunding of the City of Mount Shasta Assessment District No. 1989-1 Bond. The bonds have an interest rate of 7.00% and mature on September 15, 2023. Bonds are payable annually at various amounts. The principal balance outstanding at June 30, 2012 is \$1,065,000.

1999-A Assessment Revenue Bonds

On September 2, 1999, the Selma Public Finance Authority issued \$8,165,000 of Assessment Revenue Bonds bearing interest at 4.40% to 6.15% payable semi-annually on March 2 and September 2 commencing March 2, 2000. The bonds mature annually at various amounts through September 2, 2023. The bonds are payable solely from revenues received by the Authority from the City with respect to the local obligations. The bond proceeds were used to refund certain outstanding Authority obligations, for funding a reserve account for the bonds and for paying the costs of issuance of the bonds. The principal balance outstanding at June 30, 2012 is \$3,885,000.

1994 Revenue Bonds

In March of 1994, the Selma Public Finance Authority issued \$670,000 of Selma Redevelopment Agency bonds bearing interest of 11%. Payable semi-annually on March 15 and September 15, commencing September 15, 2004. The bonds mature annually at various amounts through September 15, 2023 and were used to finance projects in the Project Area. The principal balance outstanding at January 31, 2012 was \$480,000 and was transferred to the Successor Agency on February 1, 2012 due to dissolution of the Agency.

2010-A Tax Allocation Bonds

On August 12, 2010, the Selma Redevelopment Agency issued \$3,600,000 Tax Allocation Bonds bearing interest at 2.875% to 5.75% payable semi-annually on March 1 and September 1 commencing March 1, 2011. The bonds mature annually at various amounts through September 1, 2023 and are subject to optimal redemptions prior to maturity, in whole or in part, on September 1, 2012. The bonds are payable from and secured by incremental tax revenues (Pledged Tax Revenues). The bond proceeds were used to refund certain outstanding Agency obligations, for funding a reserve account for the bonds and for paying the cost of issuance of the bonds.

The bonds are being issued to refund the Agency's previously issued 2001 Sublease Agreement between the Agency and the City in the amount of \$1,890,000 and the 2004 Series A Refunding Bonds in the amount of \$480,000. As a result the Agency's 2001-A and 2004-A Revenue Bonds are considered to be defeased and the liability for those bonds had been removed from the long-term liabilities of the governmental activities. Bonds outstanding at January 31, 2012 were \$3,600,000 and were transferred to the Successor Agency on February 1, 2012 due to dissolution of the Agency.

The aggregate debt service payments of the new debt is \$876,183 more than the old debt. The issuance of the new debt and refunding of the old debt resulted in an economic gain (the difference between the present value of the old debt and new debt payments) of approximately \$936,868.

**CITY OF SELMA**  
**Notes to Financial Statements**  
**June 30, 2012**  
**(Continued)**

Industrial Park Improvement Bonds

On February 1, 2001, the USDA issued \$3,561,890 of Industrial Park Limited Obligation Improvement Bonds and subsequently loaned the proceeds to the Selma Redevelopment Agency bearing interest of 5% payable semi-annually on March 2 and September 2. The principal amount is payable annually at various amounts through September 2, 2040. The proceeds were used to finance projects in the City's industrial park. The principal balance outstanding at January 31, 2012 is \$3,180,000 and was transferred to the Successor Agency on February 1, 2012 due to dissolution of the Agency.

2010 Lease Revenue Refunding Bonds

On August 5, 2010 the Selma Public Finance Authority issued \$4,125,000 of Lease Revenue Bonds to provide funds to refinance a portion of the Authority's outstanding 2001 Variable Rate Demand Refunding Revenue Bonds, Series A, a portion of the Authority's outstanding 2004 Series A Refunding Bonds, fund a reserve fund for the Series 2010 Bonds, and to pay the costs incurred in connection with the cost of issuance.

The City has covenanted under the lease agreement to make all lease payments and to include all such payments in its annual budgets. The debt obligation is being recorded on the City's financial statements and thus not listed as part of the Public Finance Authority Long-Term Debt. The principal balance outstanding at June 30, 2012 is \$4,125,000.

All of the Authority's obligations with respect to the refunding Bonds (2001-A and 2004-A) have been fully discharged upon the issuance of the Series 2010 Bonds.

1. Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2012 are as follows:

Year Ending June 30,	Principal	Authority Governmental Activities	Total
		Interest	
2013	\$ 355,000	\$ 207,805	\$ 562,805
2014	365,000	290,770	655,770
2015	415,000	265,821	680,821
2016	385,000	237,445	622,445
2017	400,000	214,696	614,696
2018-2022	2,250,000	602,385	2,852,385
2023-2026	780,000	113,032	893,032
Totals	<u>\$4,950,000</u>	<u>\$1,931,954</u>	<u>\$6,881,954</u>

**CITY OF SELMA**  
**Notes to Financial Statements**  
**June 30, 2012**  
**(Continued)**

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>City Governmental Activities Interest</u>	<u>Total</u>
2013	\$ 60,000	\$ 278,238	\$ 338,238
2014	60,000	276,362	336,362
2015	65,000	274,038	339,038
2016	65,000	271,112	336,112
2017	70,000	271,112	341,112
2018-2022	420,000	1,269,976	1,689,976
2023-2027	570,000	1,110,200	1,680,200
2028-2032	805,000	880,250	1,685,250
3033-2037	1,125,000	556,500	1,681,500
2038-2041	<u>885,000</u>	<u>126,700</u>	<u>1,011,700</u>
Totals	<u>\$4,125,000</u>	<u>\$5,314,488</u>	<u>\$9,439,488</u>

2. Notes Payable

The outstanding notes payable of the City of Selma at June 30, 2012 is as follows:

Wal-Mart	<u>\$62,125</u>
	<u>\$62,125</u>

Debt Service Requirements

Debt service requirements on notes payable of the City at June 30, 2012, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Governmental Activities Interest</u>	<u>Total</u>
2013	\$19,595	\$4,529	\$24,124
2014	21,327	2,796	24,123
2015	<u>21,203</u>	<u>911</u>	<u>22,114</u>
Totals	<u>\$62,125</u>	<u>\$8,236</u>	<u>\$70,361</u>

**CITY OF SELMA**  
**Notes to Financial Statements**  
**June 30, 2012**  
**(Continued)**

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2012 as follows:

Year Ending June 30,	Governmental Activities	Business-Type Activities
2013	\$ 227,865	\$49,218
2014	188,658	
2015	57,865	
2016	57,865	
2017	57,865	
2018-2020	<u>173,595</u>	
Total Minimum Leases	763,713	<u>49,218</u>
Less: Amount representing interest	<u>(100,089)</u>	<u>(1,769)</u>
Principal amount	<u>\$ 663,624</u>	<u>\$47,449</u>

4. Compensated Absences:

The liability for vested leave (vacation, compensated time off, holiday) earned but not used in governmental funds is expensed and established as a liability and is reported in the government-wide statement of net assets in the governmental activities column. Vested leave of proprietary funds (ambulance fund) is recorded as an expense and liability of that fund as the benefits accrue. No liability is recorded for non-vesting leave such as sick leave.

**NOTE 9 – 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 \$500,000 of each workers' 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 \$50,000 and workers' compensation losses under \$50,000. The CSJVRMA participates in an excess pool which provides general liability coverages from \$1,000,000 to \$29,000,000. The CSJVRMA participates in an excess pool which provides workers' compensation coverage from \$500,000 to \$5,000,000 and purchases excess reinsurance above \$5,000,000 to the statutory limit.

**CITY OF SELMA**  
**Notes to Financial Statements**  
**June 30, 2012**  
**(Continued)**

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.

The most recent condensed financial information of CSJVRMA is as follows:

	As of and for the Year Ended June 30, 2012
Total Assets	<u>\$70,671,479</u>
Total Liabilities	\$58,388,460
Total Net Assets	<u>12,283,019</u>
Total Liabilities and Net Assets	<u>\$70,671,479</u>
Total Revenues for the Year	\$30,698,619
Total Expenses for the Year	<u>31,914,578</u>
Change in Net Assets	<u>\$ (1,215,959)</u>

**NOTE 10 – PENSION PLAN**

1. Plan Description

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.

**CITY OF SELMA**  
**Notes to Financial Statements**  
**June 30, 2012**  
**(Continued)**

Funding Policy

City employees are required by state statute to contribute 8% for miscellaneous employees and 8% for safety employees of their annual covered salary. The City employer makes 3% of the contributions required of City employees on their behalf and for their account. The City employer is required to contribute for fiscal year 2011-2012 at an actuarially determined rate; the current rate is 20.024% for miscellaneous employees and 19.169% for safety employees of annual covered payroll. The contribution requirements of City employees and the City employer are established and may be amended by PERS.

Annual Pension Cost

For fiscal year 2011-2012, the City's annual pension cost of \$1,332,003 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), and (b) projected salary increases range from 3.30% to 14.20% for miscellaneous employees and safety depending on age, service, and type of employment. Both (a) and (b) included an inflation component of 2.75%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 15 year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll. The amortization period at June 30, 2012 was 20 years for miscellaneous employees and 16 years for safety employees.

Three year trend information for PERS:

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2010	\$1,091,119	100%	
June 30, 2011	1,069,549	100%	
June 30, 2012	1,332,003	100%	

Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 79.7% funded for non-safety employees and 83.7% funded for safety employees. The actuarial accrued liability for benefits was \$2.5 billion for non-safety, \$503.5 million for safety employees, and the actuarial value of assets was \$1.98 billion for non-safety employees and \$421.3 million for safety employees, resulting in an unfunded actuarial accrued liability (UAAL) of \$505.6 million for non-safety employees and \$82 million for safety employees. The covered payroll (annual payroll of active employees covered by the plan) was \$427 million for non-safety members and \$63 million for safety members, and the ratio of UAAL to the covered payroll was 118.3% and 129.5% respectively.

The schedule of funding progress as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**CITY OF SELMA**  
**Notes to Financial Statements**  
**June 30, 2012**  
**(Continued)**

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

Commitments

During the 2011/12 year, the City entered into a three year contract with American Ambulance to provide ambulance service within the City of Selma and the surrounding area. Monthly payments under the contract, which expires on April 30, 2015, are \$83,333 per month.

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 collectability of any related receivables 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.

Litigation

No reportable litigation was pending against the City at June 30, 2012.

**NOTE 12 – POST RETIREMENT BENEFITS**

The City allows its retirees who retire under provisions of a regular service retirement and who have stated years of service the opportunity to continue enrollment in the City's health insurance program until age 65. The retirees have the same choice of insurance plans as those of current employees. The retirees pay the full cost of the insurance premiums without cost to the City.

## REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF SELMA**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance – Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 5,742,500	\$ 5,742,500	\$6,409,756	\$ 667,256
Licenses and permits	373,953	373,573	367,356	(6,217)
Intergovernmental	78,860	77,860	114,377	36,517
Charges for services	317,601	284,831	261,533	(23,298)
Fines	7,000	7,000	3,968	(3,032)
Franchise fees	691,000	690,900	722,205	31,305
Revenue for use of money and property	16,715	15,095	14,179	(916)
Miscellaneous	2,300	2,300	128,949	126,649
Total revenues	<u>7,229,929</u>	<u>7,194,059</u>	<u>8,022,323</u>	<u>828,264</u>
<b>Expenditures</b>				
General government	1,566,438	1,566,438	1,429,566	136,872
Public safety	5,267,528	5,267,528	5,355,950	(88,422)
Public works	466,355	466,355	289,433	176,922
Community development	210,139	210,139	189,679	20,460
Recreation	245,296	245,296	295,686	(50,390)
Capital outlay			93,962	(93,962)
Debt service:				
Principal	183,410	183,410	159,274	24,136
Interest and fiscal charges	<u>158,124</u>	<u>158,124</u>	<u>61,791</u>	<u>96,333</u>
Total expenditures	<u>8,097,290</u>	<u>8,097,290</u>	<u>7,875,341</u>	<u>221,949</u>
Excess (deficiency) of revenues over (under) expenditures	(867,361)	(903,231)	146,982	1,050,213
<b>Other financing sources (uses)</b>				
Operating transfers in	922,331	922,331	885,076	(37,255)
Operating transfers out				
Total other financing sources (uses)	<u>922,331</u>	<u>922,331</u>	<u>885,076</u>	<u>(37,255)</u>
Change in fund balance	54,970	19,100	1,032,058	1,012,958
Fund balance, beginning of year	<u>(987,227)</u>	<u>(987,227)</u>	<u>(987,227)</u>	
Fund balance, end of year	<u>\$ (932,257)</u>	<u>\$ (968,127)</u>	<u>\$ 44,831</u>	<u>\$1,012,958</u>

**CITY OF SELMA**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance – Budget and Actual**  
**Street Maintenance Fund**  
**For the Year Ended June 30, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Licenses and permits	\$ 1,100	\$ 1,100	\$ 8,377	\$ 7,277
Charges for services	120,000	120,000	165,904	45,904
Revenue for use of money and property			(2,739)	(2,739)
Miscellaneous	<u>700</u>	<u>700</u>	<u>3,365</u>	<u>2,665</u>
Total revenues	<u>121,800</u>	<u>121,800</u>	<u>174,907</u>	<u>53,107</u>
<b>Expenditures</b>				
Public Works	918,639	918,639	17,768	900,871
Community Development			990,118	(990,118)
Recreation			24,166	(24,166)
Debt service:				
Principal	65,853	65,853	43,822	22,031
Interest and fiscal charges	<u>234,415</u>	<u>234,415</u>	<u>278,238</u>	<u>(43,823)</u>
Total expenditures	<u>1,218,907</u>	<u>1,218,907</u>	<u>1,354,112</u>	<u>(135,205)</u>
Excess (deficiency) of revenues over (under) expenditures	(1,097,107)	(1,097,107)	(1,179,205)	188,312
<b>Other financing sources (uses)</b>				
Operating transfers in	1,095,500	1,095,500	1,284,241	(188,741)
Operating transfers out			<u>(12,379)</u>	<u>12,379</u>
Total other financing sources (uses)	<u>1,095,500</u>	<u>1,095,500</u>	<u>1,271,862</u>	<u>(176,362)</u>
Net change in fund balance	(1,607)	(1,607)	92,657	11,950
Fund balance, beginning of year	<u>(286,516)</u>	<u>(286,516)</u>	<u>(286,516)</u>	
Fund balance, end of year	<u>\$ (288,123)</u>	<u>\$ (288,123)</u>	<u>\$ (193,859)</u>	<u>\$ 11,950</u>

**CITY OF SELMA**  
**Required Supplementary Information**  
**Schedule of Funding Progress PERS Information**  
**For the Year Ended June 30, 2012**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
6/30/09						
Miscellaneous	\$1,674,260,302	\$2,140,438,884	\$466,178,582	78.2%	\$440,071,499	105.9%
Safety	368,645,673	440,333,381	71,687,708	83.7%	60,158,108	119.2%
6/30/10						
Miscellaneous	1,815,671,616	2,297,871,345	482,199,729	79.0%	434,023,381	111.1%
Safety	396,740,091	469,525,634	72,785,543	84.5%	61,878,177	117.6%
6/30/11						
Miscellaneous	1,981,073,089	2,486,708,579	505,635,490	79.7%	427,300,410	118.3%
Safety	421,374,728	503,491,275	82,116,547	83.7%	63,392,685	129.5%

Pooled as of July 1, 2003 with similar agencies throughout the state, pursuant to state law

COMBINING STATEMENTS AS SUPPLEMENTARY INFORMATION

**CITY OF SELMA**  
**Combining Balance Sheet –**  
**Nonmajor Governmental Funds**  
**June 30, 2012**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Assets</b>				
Cash and investments	\$1,456,563	\$ 635,174	\$ 2,716,189	\$ 4,807,926
Cash with fiscal agent		549,582		549,582
Accounts receivable			163,068	163,068
Interfund receivables			1,233,825	1,233,825
Due from other agencies	1,130,564	24,646	65,262	1,220,472
Total assets	<u>\$2,587,127</u>	<u>\$1,209,402</u>	<u>\$ 4,178,344</u>	<u>\$ 7,974,873</u>
<b>Liabilities</b>				
Accounts payable	\$ 102,760	\$ 3	\$ 30,817	\$ 133,580
Accrued wages/benefits	28,590			28,590
Interfund payables	873,987	7,042	1,233,825	2,114,854
Other liabilities		3,163		3,163
Total liabilities	<u>1,005,337</u>	<u>10,208</u>	<u>1,264,642</u>	<u>2,280,187</u>
<b>Fund balance</b>				
Restricted for:				
Streets and roads	1,524,620		143,392	1,668,012
Public safety	58,044			58,044
Community development	84,467			84,467
Social services	8,626			8,626
Debt service		1,204,827		1,204,827
Capital projects			2,442,599	2,442,599
Committed for:				
Community development	700			700
Recreation	1,139			1,139
Capital projects			1,247,524	1,247,524
Assigned for				
Community development	15,333			15,333
Equipment replacement			154,723	154,723
Unassigned	(111,139)	(5,633)	(1,074,536)	(1,191,308)
Total fund balance	<u>1,581,790</u>	<u>1,199,194</u>	<u>2,913,702</u>	<u>5,694,686</u>
Total liabilities and fund balance	<u>\$2,587,127</u>	<u>\$1,209,402</u>	<u>\$ 4,178,344</u>	<u>\$ 7,974,873</u>

**CITY OF SELMA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance –**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2012**

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
<b>Revenues</b>				
Taxes	\$ 1,467,799	\$	\$ 139,581	\$ 1,607,380
Intergovernmental	4,044,959			4,044,959
Charges for services	20,388		206,157	226,545
Fines	83,059			83,059
Revenue for use of money and property	3,241	69,622	8,840	81,745
Assessment payments		527,754	150,000	677,754
Miscellaneous	2,236	24,440	20,884	47,560
Total revenues	<u>5,621,682</u>	<u>621,816</u>	<u>525,462</u>	<u>6,769,002</u>
<b>Expenditures</b>				
General government	2,220	25,200		27,462
Public safety	555,752			555,752
Public works	198,368			198,368
Community development	227,286		402,904	630,190
Capital outlay	2,055,370			2,055,370
Debt service:				
Principal		455,000	45,290	500,290
Interest and fiscal charges		410,408	6,185	416,593
Total expenditures	<u>3,038,996</u>	<u>890,608</u>	<u>454,379</u>	<u>4,384,025</u>
Excess (deficiency) of revenues over (under) expenditures	2,582,686	(268,792)	71,083	2,384,977
<b>Other financing sources (uses)</b>				
Sale of capital assets			360,000	360,000
Operating transfers in	150,163	662,375	627,000	1,439,538
Operating transfers out	(2,282,652)	(589,725)	(227,000)	(3,099,377)
Total other financing sources (uses)	<u>(2,132,489)</u>	<u>72,650</u>	<u>760,000</u>	<u>(1,299,839)</u>
Net change in fund balance before extraordinary item	450,197	(196,142)	831,083	1,085,138
Extraordinary gain (loss)				
Dissolution of redevelopment agency		553,809	(2,234,377)	(1,680,568)
Total extraordinary gain (loss)		<u>553,809</u>	<u>(2,234,377)</u>	<u>(1,680,568)</u>
Net change in fund balance	450,197	357,667	(1,403,294)	(595,430)
Fund balance, beginning of year	<u>1,131,593</u>	<u>841,527</u>	<u>4,316,996</u>	<u>6,290,116</u>
Fund balance, end of year	<u>\$ 1,581,790</u>	<u>\$ 1,199,194</u>	<u>\$ 2,913,702</u>	<u>\$ 5,694,686</u>

**CITY OF SELMA**  
**Combining Balance Sheet –**  
**Nonmajor Special Revenue Funds**  
**June 30, 2012**

	Traffic Safety	Redevelopment Administration	Public Safety	Redevelopment Housing Administration	Traffic Congestion Relief Grant	AB 1913 Grant	Street LTF	Street Measure "C"
<b>Assets</b>								
Cash and investments	\$5,475	\$22,002	\$2,495	\$3,110	\$470,416	\$54,851	\$ 12,379	\$507,373
Due from other agencies	<u>5,475</u>	<u>22,002</u>	<u>2,495</u>	<u>3,110</u>	<u>470,416</u>	<u>54,851</u>	<u>217,889</u>	<u>46,026</u>
Total assets							<u>230,268</u>	<u>553,399</u>
<b>Liabilities</b>								
Accounts payable		1,752		1,809		18,750		
Accrued wages/benefits		6,218				3,138		
Interfund payables								
Total liabilities		<u>7,970</u>		<u>1,809</u>		<u>21,888</u>		
<b>Fund balance</b>								
Restricted for:								
Streets and roads	5,475		2,495		470,416	32,963	230,268	553,399
Public safety								
Community development								
Social services								
Committed for:								
Community development								
Recreation								
Assigned for:		14,032		1,301				
Community development								
Unassigned	<u>5,475</u>	<u>14,032</u>	<u>2,495</u>	<u>1,301</u>	<u>470,416</u>	<u>32,963</u>	<u>230,268</u>	<u>553,399</u>
Total fund balance								
	<u>\$5,475</u>	<u>\$22,002</u>	<u>\$2,495</u>	<u>\$3,110</u>	<u>\$470,416</u>	<u>\$54,851</u>	<u>\$230,268</u>	<u>\$553,399</u>
Total liabilities and fund balance								

**CITY OF SELMA**  
**Combining Balance Sheet –**  
**Nonmajor Special Revenue Funds**  
**June 30, 2012**

	Proposition 1B Fund	Landscape and Lighting Assessment	Abandoned Vehicle Abatement	CDBG Grant	Recycling Grant	Safe Routes to Schools Grants	Healthy Cities Grant	T-21 Project Grant
<b>Assets</b>								
Cash and investments	\$229,604	\$	\$24,568	\$11	\$39,732	\$43	\$213	\$
Due from other agencies	<u>229,604</u>	<u>7,918</u>	<u>24,568</u>	<u>11</u>	<u>39,732</u>	<u>43</u>	<u>213</u>	<u>—</u>
Total assets								
<b>Liabilities</b>								
Accounts payable								
Accrued wages/benefits		6,299						109
Interfund payables		<u>55,200</u>						<u>109</u>
Total liabilities		<u>61,499</u>						
<b>Fund balance</b>								
Restricted for:								
Streets and roads	229,604		24,568			43		
Public safety				11	39,732		213	
Community development								
Social services								
Committed for:								
Community development								
Recreation								
Assigned for:								
Community development		(53,581)						(109)
Unassigned	<u>229,604</u>	<u>(53,581)</u>	<u>24,568</u>	<u>11</u>	<u>39,732</u>	<u>43</u>	<u>213</u>	<u>(109)</u>
Total fund balance								
	<u>\$229,604</u>	<u>\$ 7,918</u>	<u>\$24,568</u>	<u>\$11</u>	<u>\$39,732</u>	<u>\$43</u>	<u>\$213</u>	<u>\$</u>
Total liabilities and fund balance								

**CITY OF SELMA**  
**Combining Balance Sheet –**  
**Nonmajor Special Revenue Funds**  
**June 30, 2012**

	FEMA Grant	Traffic Grant	Homeland Security Fire Grant	Small Business Support Center	DOJ Byrnes Grant	Grip Grant	ADA Calmet Grant	Foreclosed Homes Project
<b>Assets</b>								
Cash and investments	\$	\$	\$	\$700	\$742	\$	\$	\$39,945
Due from other agencies			56,809			14,128		
Total assets			56,809	700	742	14,128		39,945
<b>Liabilities</b>								
Accounts payable			25,822					
Accrued wages/benefits			14,835			14,902	155	
Interfund payables	15,985	13,503	40,657			14,902	155	
Total liabilities	15,985	13,503						
<b>Fund balance</b>								
Restricted for:								
Streets and roads			16,152		742			39,945
Public safety								
Community development								
Social services								
Committed for:								
Community development				700				
Recreation								
Assigned for:								
Community development							(155)	
Unassigned	(15,985)	(13,503)	16,152	700	742	(774)	(155)	39,945
Total fund balance	(15,985)	(13,503)						
Total liabilities and fund balance	\$	\$	\$56,809	\$700	\$742	\$14,128	\$	\$39,945

**CITY OF SELMA**  
**Combining Balance Sheet –**  
**Nonmajor Special Revenue Funds**  
**June 30, 2012**

	Sports Hall of Fame	State Asset Forfeiture Fund	Federal Stimulus Funds	CHRP Grant	Regional Foundation Grant	G.R.E.A.T. Grant	Citizens Tax Initiative	Total Nonmajor Special Revenue Funds
<b>Assets</b>								
Cash and investments	\$1,139	\$930	\$	\$	\$16,182	\$10,305	\$14,348	\$1,456,563
Due from other agencies			740,794				47,000	1,130,564
Total assets	<u>1,139</u>	<u>930</u>	<u>740,794</u>		<u>16,182</u>	<u>10,305</u>	<u>61,348</u>	<u>2,587,127</u>
<b>Liabilities</b>								
Accounts payable			392				56,044	102,760
Accrued wages/benefits				3,357	7,769			28,590
Interfund payables			735,623	23,675				873,987
Total liabilities			<u>736,015</u>	<u>27,032</u>	<u>7,769</u>		<u>56,044</u>	<u>1,005,337</u>
<b>Fund balance</b>								
Restricted for:								
Streets and roads								1,524,620
Public safety		930				10,305	5,304	58,044
Community development			4,779		8,413			84,467
Social services								8,626
Committed for:								700
Community development	1,139							1,139
Recreation								
Assigned for:								15,333
Community development								(111,139)
Unassigned				(27,032)				
Total fund balance	<u>1,139</u>	<u>930</u>	<u>4,779</u>	<u>(27,032)</u>	<u>8,413</u>	<u>10,305</u>	<u>5,304</u>	<u>1,581,790</u>
Total liabilities and fund balance	<u>\$1,139</u>	<u>\$930</u>	<u>\$740,794</u>	<u>\$</u>	<u>\$16,182</u>	<u>\$10,305</u>	<u>\$61,348</u>	<u>\$2,587,127</u>

CITY OF SELMA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance –  
Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2012

	Traffic Safety	Redevelopment Administration	Public Safety	Redevelopment Housing Administration	Traffic Congestion Relief Grant	AB 1913 Grant	Street Gas Tax	Street LTF
<b>Revenues</b>								
Taxes	\$	\$	\$ 33,612	\$ 51,156	\$	\$	\$	\$
Intergovernmental		201,687				100,000	301,270	620,441
Charges for services								
Fines	83,059	25			1,223	152	89	128
Revenue for use of money and property								
Miscellaneous								
Total revenues	<u>83,059</u>	<u>201,712</u>	<u>33,612</u>	<u>51,156</u>	<u>1,223</u>	<u>100,152</u>	<u>301,359</u>	<u>620,569</u>
<b>Expenditures</b>								
General government						96,798		
Public safety								
Public works		179,087		48,199				
Community development								
Capital outlay		<u>179,087</u>		<u>48,199</u>		<u>12,943</u>		
Total expenditures						<u>109,741</u>		
Excess (deficiency) of revenues over (under) expenditures	83,059	22,625	33,612	2,957	1,223	(9,589)	301,359	620,569
<b>Other financing sources (uses)</b>								
Operating transfers in								12,379
Operating transfers out	<u>(65,000)</u>		<u>(33,000)</u>				<u>(338,004)</u>	<u>(402,680)</u>
Total other financing sources (uses)	<u>(65,000)</u>		<u>(33,000)</u>				<u>(338,004)</u>	<u>(390,301)</u>
Net change in fund balance	18,059	22,625	612	2,957	1,223	(9,589)	(36,645)	230,268
Fund balance, beginning of year	<u>(12,584)</u>	<u>(8,593)</u>	<u>1,883</u>	<u>(1,656)</u>	<u>469,193</u>	<u>42,552</u>	<u>36,645</u>	
Fund balance, end of year	<u>\$ 5,475</u>	<u>\$ 14,032</u>	<u>\$ 2,495</u>	<u>\$ 1,301</u>	<u>\$470,416</u>	<u>\$ 32,963</u>	<u>\$</u>	<u>\$ 230,268</u>

CITY OF SELMA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance –  
Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2012

	Street Measure "C"	Proposition 1B Fund	Street HUTA Fund	Landscape and Lighting Assessment	Abandoned Vehicle Abatement	CDBG Grant	Recycling Grant	Safe Routes to School Grant	Healthy Cities Grant
<b>Revenues</b>									
Taxes	\$ 498,060		\$ 277,731	\$ 162,024	\$	\$ 455,693	\$ 13,010	\$	\$
Intergovernmental									
Charges for services									
Fines			82		64		88		
Revenue for use of money and property	1,290								
Miscellaneous	<u>499,350</u>		<u>277,813</u>	<u>162,024</u>	<u>64</u>	<u>455,693</u>	<u>13,098</u>		
Total revenues									
<b>Expenditures</b>									
General government							2,220		
Public safety									
Public works				198,368					
Community development						<u>514,057</u>	<u>2,220</u>		
Capital outlay				<u>198,368</u>		<u>514,057</u>			
Total expenditures									
Excess (deficiency) of revenues over (under) expenditures	499,350		277,813	(36,344)	64	(58,364)	10,878		
<b>Other financing sources (uses)</b>									
Operating transfers in						58,375			
Operating transfers out	<u>(289,629)</u>	<u>(79,409)</u>	<u>(312,303)</u>			<u>58,375</u>			
Total other financing sources (uses)	<u>(289,629)</u>	<u>(79,409)</u>	<u>(312,303)</u>						
Net change in fund balance	209,721	(79,409)	(34,490)	(36,344)	64	11	10,878		
Fund balance, beginning of year	<u>343,678</u>	<u>309,013</u>	<u>34,490</u>	<u>(17,237)</u>	<u>24,504</u>		<u>28,854</u>	<u>43</u>	<u>213</u>
Fund balance, end of year	<u>\$ 553,399</u>	<u>\$ 229,604</u>	<u>\$</u>	<u>\$ (53,581)</u>	<u>\$ 24,568</u>	<u>\$ 11</u>	<u>\$ 39,732</u>	<u>\$ 43</u>	<u>\$ 213</u>

CITY OF SELMA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance –  
Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2012

	T-21 Project Grant	FEMA Grant	Traffic Grant	ABC Grant	Homeland Security Fire Grant	Small Business Support Center	DOJ Byrnes Grant	Grip Grant	ADA Calmet Grant
<b>Revenues</b>									
Taxes	\$	\$	\$ 28,697	\$	\$ 56,809	\$	\$	\$	\$
Intergovernmental									
Charges for services									
Fines									
Revenue for use of money and property							3		
Miscellaneous				2,236					
Total revenues			<u>28,697</u>	<u>2,236</u>	<u>56,809</u>		<u>3</u>		
<b>Expenditures</b>									
General government									
Public safety		42	26,963				1,951		
Public works									
Community development									
Capital outlay					56,199				
Total expenditures		<u>42</u>	<u>26,963</u>		<u>56,199</u>		<u>1,951</u>		
Excess (deficiency) of revenues over (under) expenditures		(42)	1,734	2,236	610		(1,948)		
<b>Other financing sources (uses)</b>									
Operating transfers in									
Operating transfers out									
Total other financing sources (uses)									
Net change in fund balance		(42)	1,734	2,236	610		(1,948)		
Fund balance, beginning of year	(109)	(15,943)	(15,237)	(2,236)	15,542	700	2,690	(774)	(155)
Fund balance, end of year	<u>\$(109)</u>	<u>\$(15,985)</u>	<u>\$(13,503)</u>	<u>\$</u>	<u>\$16,152</u>	<u>\$700</u>	<u>\$ 742</u>	<u>\$(774)</u>	<u>\$(155)</u>

CITY OF SELMA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance –  
Nonmajor Special Revenue Funds  
For the Year Ended June 30, 2012

	Foreclosed Homes Project	Sports Hall of Fame	State Asset Forfeiture Fund	Federal Stimulus Funds	CHRP Grant	Regional Foundation Grant	G.R.E.A.T. Grant	Citizen's Tax Initiative	Total Nonmajor Special Revenue Funds
<b>Revenues</b>									
Taxes	\$	\$	\$	\$	\$	\$	\$	\$1,272,163	\$ 1,467,799
Intergovernmental									
Charges for services	12,801	7,587		1,274,759	141,763	9,990	13,893		4,044,959
Fines									20,388
Revenue for use of money and property		6	3						83,059
Miscellaneous	88								3,241
Total revenues	<u>12,889</u>	<u>7,593</u>	<u>3</u>	<u>1,274,759</u>	<u>141,763</u>	<u>9,990</u>	<u>13,893</u>	<u>1,272,163</u>	<u>2,236</u>
									<u>5,621,682</u>
<b>Expenditures</b>									
General government									2,220
Public safety					147,385	1,577	3,588	277,448	555,752
Public works									198,368
Community development									227,286
Capital outlay				<u>1,234,258</u>	<u>147,385</u>	<u>1,577</u>	<u>3,588</u>	<u>237,913</u>	<u>2,055,370</u>
Total expenditures				<u>1,234,258</u>	<u>147,385</u>	<u>1,577</u>	<u>3,588</u>	<u>515,361</u>	<u>3,038,996</u>
Excess (deficiency) of revenues over (under) expenditures	12,889	7,593	3	40,501	(5,622)	8,413	10,305	756,802	2,582,686
<b>Other financing sources (uses)</b>									
Operating transfers in				79,409					150,163
Operating transfers out		(6,627)						(756,000)	(2,282,652)
Total other financing sources (uses)		<u>(6,627)</u>		<u>79,409</u>				<u>(756,000)</u>	<u>(2,132,489)</u>
Net change in fund balance	12,889	966	3	119,910	(5,622)	8,413	10,305	802	450,197
Fund balance, beginning of year	<u>27,056</u>	<u>173</u>	<u>927</u>	<u>(115,131)</u>	<u>(21,410)</u>			<u>4,502</u>	<u>1,131,593</u>
Fund balance, end of year	<u>\$39,945</u>	<u>\$ 1,139</u>	<u>\$930</u>	<u>\$ 4,779</u>	<u>\$ (27,032)</u>	<u>\$8,413</u>	<u>\$10,305</u>	<u>\$ 5,304</u>	<u>\$ 1,581,790</u>

**CITY OF SELMA**  
**Combining Balance Sheet –**  
**Nonmajor Debt Service Funds**  
**June 30, 2012**

	PFA 1993 C Debt Service	1994 Debt Service	PFA 1994 B-C Debt Service	PFA Hotel Debt Service	Assessment 91-2 Highland Debt Service	PFA 1999 A Reassessment Debt Service	Assessment 92-1 Dancer II Debt Service	Assessment 92-1 Dancer III Debt Service	Assessment 91-2 Watermain Debt Service
<b>Assets</b>									
Cash and investments	\$11	\$	\$4	\$3,163	\$123,171	\$ 50,767	\$57,804	\$31,002	\$74,128
Cash with fiscal agent		141,332				408,250			
Due from other agencies		<u>141,332</u>	<u>4</u>	<u>3,163</u>	<u>6,080</u>	<u>459,017</u>	<u>1,340</u>	<u>1,301</u>	<u>1,060</u>
Total assets					<u>129,251</u>		<u>59,144</u>	<u>32,303</u>	<u>75,188</u>
<b>Liabilities</b>									
Accounts payable									
Interfund payables									
Other liabilities				<u>3,163</u>					
Total liabilities				<u>3,163</u>					
<b>Fund balance</b>									
Restricted for:									
Debt service	11	141,332	4		129,251	459,017	59,144	32,303	75,188
Unassigned									
Total fund balance	<u>11</u>	<u>141,332</u>	<u>4</u>		<u>129,251</u>	<u>459,017</u>	<u>59,144</u>	<u>32,303</u>	<u>75,188</u>
Total liabilities and fund balance	<u>\$11</u>	<u>\$141,332</u>	<u>\$4</u>	<u>\$3,163</u>	<u>\$129,251</u>	<u>\$459,017</u>	<u>\$59,144</u>	<u>\$32,303</u>	<u>\$75,188</u>

**CITY OF SELMA**  
**Combining Balance Sheet --**  
**Nonmajor Debt Service Funds**  
**June 30, 2012**

	Assessment 91-2 Stillman Debt Service	Assessment 91-2 Peasoup Debt Service	Assessment 93-1 Briarwood/ Vineyard Debt Service	Assessment Theater Debt Service	PFA 2001 A Debt Service	PFA 2004 A-B Debt Service Fund	2010 Debt Service Fund	Total Nonmajor Debt Service Funds
<b>Assets</b>								
Cash and investments	\$	\$131,736	\$63,330	\$61,375	\$	\$38,141	\$542	\$ 635,174
Cash with fiscal agent								549,582
Due from other agencies	1,409	9,615	2,135	1,706				24,646
Total assets	<u>1,409</u>	<u>141,351</u>	<u>65,465</u>	<u>63,081</u>	<u></u>	<u>38,141</u>	<u>542</u>	<u>1,209,402</u>
<b>Liabilities</b>								
Accounts payable					3			3
Interfund payables	7,042							7,042
Other liabilities								3,163
Total liabilities	<u>7,042</u>	<u></u>	<u></u>	<u></u>	<u>3</u>	<u></u>	<u></u>	<u>10,208</u>
<b>Fund balance</b>								
Restricted for:								
Debt service		141,351	65,465	63,081	(3)	38,141	542	1,204,827
Unassigned	(5,633)							(5,633)
Total fund balance	<u>(5,633)</u>	<u>141,351</u>	<u>65,465</u>	<u>63,081</u>	<u>(3)</u>	<u>38,141</u>	<u>542</u>	<u>1,199,194</u>
Total liabilities and fund balance	<u>\$ 1,409</u>	<u>\$141,351</u>	<u>\$65,465</u>	<u>\$63,081</u>	<u>\$</u>	<u>\$38,141</u>	<u>\$542</u>	<u>\$1,209,402</u>

**CITY OF SELMA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance --**  
**Nonmajor Debt Service Funds**  
**For the Year Ended June 30, 2012**

	RDA Theatre Debt Service <sup>1</sup>	RDA Industrial Park Debt Service <sup>1</sup>	PFA 1993 C Debt Service	RDA-Low Income Housing Debt Service <sup>1</sup>	1994 Debt Service	PFA 1994 B-C Debt Service	Assessment 91-2 Highland Debt Service
<b>Revenues</b>							
Revenue for use of money and property	\$ 72	\$ 42,201	\$	\$ 1,019	\$ 176	\$	\$ 225
Assessment payments	30,400						121,540
Miscellaneous	<u>30,472</u>	<u>42,201</u>		<u>1,019</u>	<u>24,440</u>		<u>121,765</u>
Total revenues							
<b>Expenditures</b>							
General government							10,499
Debt Service:							
Principal		45,000			120,000		
Interest and fiscal charges		<u>79,685</u>			<u>86,695</u>		<u>10,499</u>
Total expenditures		<u>124,685</u>			<u>206,695</u>		
Excess (deficiency) of revenues over (under) expenditures	30,472	(82,484)		1,019	(182,079)		111,266
<b>Other financing sources (uses)</b>							
Sale of capital assets							
Operating transfers in					120,150		(131,561)
Operating transfers out					<u>120,150</u>		<u>(131,561)</u>
Total other financing sources (uses)							
Net change in fund balance before extraordinary item	30,472	(82,484)		(46,481)	(61,929)		(20,295)
Extraordinary gain (loss)							
Dissolution of redevelopment agency	(83,564)	600,223		37,150			
Total extraordinary gain (loss)	<u>(83,564)</u>	<u>600,223</u>		<u>37,150</u>			
Net change in fund balance	(53,092)	517,739		(9,331)	(61,929)		(20,295)
Fund balance, beginning of year	<u>53,092</u>	<u>(517,739)</u>	<u>11</u>	<u>9,331</u>	<u>203,261</u>	<u>4</u>	<u>149,546</u>
Fund balance, end of year	\$	\$	\$11	\$	\$ 141,332	\$4	\$129,251

(1) Period is for seven months from July 1, 2011 through January 31, 2012

CITY OF SELMA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance –  
Nonmajor Debt Service Funds  
For the Year Ended June 30, 2012

	PFA 1999 A	Assessment 92-1	Assessment 92-1	Assessment 92-1	Assessment 91-2	Assessment 91-2	Assessment 91-2
	Reassessment Debt Service	Dancer II Debt Service	Dancer III Debt Service	Watermain Debt Service	Stillman Debt Service	Peasoup Debt Service	
<b>Revenues</b>							
Revenue for use of money and property	\$ 24,822	\$ 129	\$ 60	\$ 173	\$ (42)	\$ 186	
Assessment payments		26,668	25,931	26,005	28,164	192,297	
Miscellaneous		<u>26,797</u>	<u>25,991</u>	<u>26,178</u>	<u>28,122</u>	<u>192,483</u>	
Total revenues							
<b>Expenditures</b>							
General government	14,701						
Debt Service:							
Principal	290,000						
Interest and fiscal charges	<u>244,028</u>						
Total expenditures	<u>548,729</u>						
Excess (deficiency) of revenues over (under) expenditures	(523,907)	26,797	25,991	26,178	28,122	192,483	
<b>Other financing sources (uses)</b>							
Sale of capital assets	542,225						
Operating transfers in		(31,508)	(30,496)	(28,183)	(28,807)	(203,002)	
Operating transfers out	<u>542,225</u>	<u>(31,508)</u>	<u>(30,496)</u>	<u>(28,183)</u>	<u>(28,807)</u>	<u>(203,002)</u>	
Total other financing sources (uses)							
Net change in fund balance before extraordinary item	18,318	(4,711)	(4,505)	(2,005)	(685)	(10,519)	
Extraordinary gain (loss)							
Dissolution of redevelopment agency							
Total extraordinary gain (loss)							
Net change in fund balance	18,318	(4,711)	(4,505)	(2,005)	(685)	(10,519)	
Fund balance, beginning of year	<u>440,699</u>	<u>63,855</u>	<u>36,808</u>	<u>77,193</u>	<u>(4,948)</u>	<u>151,870</u>	
Fund balance, end of year	<u>\$ 459,017</u>	<u>\$ 59,144</u>	<u>\$ 32,303</u>	<u>\$ 75,188</u>	<u>\$ (5,633)</u>	<u>\$ 141,351</u>	

CITY OF SELMA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance --  
Nonmajor Debt Service Funds  
For the Year Ended June 30, 2012

	Assessment 93-1 Briarwood/ Vineyard Debt Service	Assessment Theater Debt Service	PFA 2001 A Debt Service	PFA 2004 A-B Debt Service	PFA 2010 Debt Service Fund	Total Nonmajor Debt Service Funds
<b>Revenues</b>						
Revenue for use of money and property	\$ 135	\$ 124	\$	\$	\$342	\$ 69,622
Assessment payments	42,628	34,121				527,754
Miscellaneous	<u>42,763</u>	<u>34,245</u>			<u>342</u>	<u>24,440</u>
Total revenues						<u>621,816</u>
<b>Expenditures</b>						
General government						25,200
Debt Service:						455,000
Principal						410,408
Interest and fiscal charges						<u>890,608</u>
Total expenditures						
Excess (deficiency) of revenues over (under) expenditures	42,763	34,245			342	(268,792)
<b>Other financing sources (uses)</b>						
Sale of capital assets						662,375
Operating transfers in						(589,725)
Operating transfers out	<u>(56,201)</u>	<u>(32,467)</u>				<u>72,650</u>
Total other financing sources (uses)	<u>(56,201)</u>	<u>(32,467)</u>				
Net change in fund balance before extraordinary item	(13,438)	1,778			342	(196,142)
Extraordinary gain (loss)						
Dissolution of redevelopment agency						553,809
Total extraordinary gain (loss)						<u>553,809</u>
Net change in fund balance	(13,438)	1,778			342	357,667
Fund balance, beginning of year	<u>78,903</u>	<u>61,303</u>	<u>(3)</u>	<u>38,141</u>	<u>200</u>	<u>841,527</u>
Fund balance, end of year	<u>\$ 65,465</u>	<u>\$ 63,081</u>	<u>\$(2)</u>	<u>\$38,141</u>	<u>\$542</u>	<u>\$1,199,194</u>

**CITY OF SELMA**  
**Combining Balance Sheet –**  
**Nonmajor Capital Projects Funds**  
**June 30, 2012**

	Reserve	Equipment Replacement	Development Impact Police Facility	Development Impact Fire Facility	Developmental Impact City Facilities	Developmental Impact Storm Drain	Developmental Impact Sewer
<b>Assets</b>							
Cash and investments	\$693	\$154,030	\$139,090	\$231,024	\$444,893	\$	\$804,936
Accounts receivable							
Interfund receivables					200,000		100,000
Due from other agencies							
Total assets	<u>693</u>	<u>154,030</u>	<u>139,090</u>	<u>231,024</u>	<u>644,893</u>		<u>904,936</u>
<b>Liabilities</b>							
Accounts payable							
Interfund payables						277,423	
Total liabilities						<u>277,423</u>	
<b>Fund balance</b>							
Restricted for:							
Streets and roads							
Capital projects			139,090	231,024	644,893		904,936
Committed for:							
Capital projects							
Assigned for:							
Equipment replacement	693	154,030					
Unassigned						(277,423)	
Total fund balance	<u>693</u>	<u>154,030</u>	<u>139,090</u>	<u>231,024</u>	<u>644,893</u>	<u>(277,423)</u>	<u>904,936</u>
Total liabilities and fund balance	<u>\$693</u>	<u>\$154,030</u>	<u>\$139,090</u>	<u>\$231,024</u>	<u>\$644,893</u>	<u>\$</u>	<u>\$904,936</u>

**CITY OF SELMA**  
**Combining Balance Sheet –**  
**Nonmajor Capital Projects Funds**  
**June 30, 2012**

	Developmental Impact Parks and Recreation	Long Range Planning Fee	Development Impact Public Use Facilities	Construction 97-2 Theater	City Hall Construction	Northeast Plan Project	South Selma Specific Plan Project
<b>Assets</b>							
Cash and investments	\$311,979	\$	\$60,677	\$70	\$19,764	\$ 80,722	\$ 163,068
Accounts receivable	150,000						
Interfund receivables	<u>461,979</u>	<u></u>	<u>60,677</u>	<u>70</u>	<u>19,764</u>	<u>80,722</u>	<u>163,068</u>
Due from other agencies							
Total assets							
<b>Liabilities</b>							
Accounts payable		291,903				450,000	78,658
Interfund payables		<u>291,903</u>				<u>450,000</u>	<u>78,658</u>
Total liabilities							
<b>Fund balance</b>							
Restricted for:							
Streets and roads							
Capital projects	461,979		60,677				84,410
Committed for:				70	19,764		
Capital projects							
Assigned for:							
Equipment replacement							
Unassigned	<u>461,979</u>	<u>(291,903)</u>	<u>60,677</u>	<u>70</u>	<u>19,764</u>	<u>(369,278)</u>	<u>84,410</u>
Total fund balance	<u>\$461,979</u>	<u>\$</u>	<u>\$60,677</u>	<u>\$ 70</u>	<u>\$19,764</u>	<u>\$ 80,722</u>	<u>\$163,068</u>
Total liabilities and fund balance							

**CITY OF SELMA**  
**Combining Balance Sheet –**  
**Nonmajor Capital Projects Funds**  
**June 30, 2012**

	Amberwood Project	Tutelian Project	Selma Crossing Project	Brandywine Project	WalMart EIR	Caltrans Mitigation Fund	Cultural Arts Construction Fund	Total Nonmajor Capital Projects Funds
<b>Assets</b>								
Cash and investments	\$26,604	\$	\$	\$1,445	\$129,401	\$143,392	\$ 167,469	\$ 2,716,189
Accounts receivable								163,068
Interfund receivables							783,825	1,233,825
Due from other agencies							65,262	65,262
Total assets	<u>\$26,604</u>	<u>\$</u>	<u>\$</u>	<u>\$1,445</u>	<u>\$129,401</u>	<u>\$143,392</u>	<u>\$1,016,556</u>	<u>\$ 4,178,344</u>
<b>Liabilities</b>								
Accounts payable			91				30,726	30,817
Interfund payables		1,642	134,199					1,233,825
Total liabilities		<u>1,642</u>	<u>134,290</u>				<u>30,726</u>	<u>1,264,642</u>
<b>Fund balance</b>								
Restricted for:								
Streets and roads						143,392		143,392
Capital projects								2,442,599
Committed for:								
Capital projects	26,604			1,445	129,401		985,830	1,247,524
Assigned for:								
Equipment replacement								154,723
Unassigned		(1,642)	(134,290)					(1,074,536)
Total fund balance	<u>26,604</u>	<u>(1,642)</u>	<u>(134,290)</u>	<u>1,445</u>	<u>129,401</u>	<u>143,392</u>	<u>985,830</u>	<u>2,913,702</u>
Total liabilities and fund balance	<u>\$26,604</u>	<u>\$</u>	<u>\$</u>	<u>\$1,445</u>	<u>\$129,401</u>	<u>\$143,392</u>	<u>\$1,016,556</u>	<u>\$ 4,178,344</u>

**CITY OF SELMA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance --**  
**Nonmajor Capital Projects Funds**  
**For the Year Ended June 30, 2012**

	Reserve	Equipment Replacement	Development Impact Police Facility	RDA (1) Courthouse Capital Project	Development Impact Fire Facility	Developmental Impact City Facilities	RDA Housing (1) Capital Projects	Developmental Impact Storm Drain	Developmental Impact Sewer
<b>Revenues</b>									
Taxes	\$	\$	\$	\$	\$	\$	\$	\$	\$
Charges for services			26,386		29,431	76,127	139,581	50	61,221
Revenue for use of money and property	1	347	340		576	1,089	1,801		2,036
Assessment payments									
Miscellaneous		20,000					70		
Total revenues	<u>1</u>	<u>20,347</u>	<u>26,726</u>		<u>30,007</u>	<u>77,216</u>	<u>141,452</u>	<u>50</u>	<u>63,257</u>
<b>Expenditures</b>									
Community development							51,156	722	
Debt Service:									
Principal							<u>51,156</u>	<u>722</u>	
Interest and fiscal charges									
Total expenditures									
Excess (deficiency) of revenues over (under) expenditures	1	20,347	26,726		30,007	77,216	90,296	(672)	63,257
<b>Other financing sources (uses)</b>									
Sale of capital assets									
Operating transfers in									
Operating transfers out	(225,000)	(2,000)							
Total other financing sources (uses)	<u>(225,000)</u>	<u>(2,000)</u>							
Net change in fund balance before extraordinary item	(224,999)	18,347	26,726		30,007	77,216	90,296	(672)	63,257
Extraordinary gain (loss)									
Dissolution of redevelopment agency				(264,225)			(1,225,975)		
Total extraordinary gain (loss)				<u>(264,225)</u>			<u>(1,225,975)</u>		
Net change in fund balance	(224,999)	18,347	26,726	(264,225)	30,007	77,216	(1,135,679)	(672)	63,257
Fund balance, beginning of year	<u>225,692</u>	<u>135,683</u>	<u>112,364</u>	<u>264,225</u>	<u>201,017</u>	<u>567,677</u>	<u>1,135,679</u>	<u>(276,751)</u>	<u>841,679</u>
Fund balance, end of year	<u>\$ 693</u>	<u>\$154,030</u>	<u>\$139,090</u>	<u>\$</u>	<u>\$231,024</u>	<u>\$644,893</u>	<u>\$</u>	<u>\$277,423</u>	<u>\$904,936</u>

(1) Period is for seven months from July 1, 2011 through January 31, 2012

**CITY OF SELMA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance --**  
**Nonmajor Capital Projects Funds**  
**For the Year Ended June 30, 2012**

	Developmental Impact Parks and Recreation	Long Range Planning Fee	Development Impact Public Use Facilities	RDA (I) Industrial Park Capital Project	RDA (I) Housing Bond Capital Project	Construction 97-2 Theater	City Hall Construction	Northeast Plan Project	South Selma Specific Plan Project
<b>Revenues</b>									
Taxes	\$	\$	\$	\$	\$	\$	\$	\$	\$
Charges for services		12,942	159					210	
Revenue for use of money and property	814								
Assessment payments	789								
Miscellaneous	<u>1,603</u>	<u>12,942</u>	<u>159</u>					<u>210</u>	
Total revenues									
<b>Expenditures</b>									
Community development		1,044							204
Debt Service:									
Principal	3,267								
Interest and fiscal charges	<u>3,267</u>	<u>1,044</u>							<u>204</u>
Total expenditures									
Excess (deficiency) of revenues over (under) expenditures	(1,664)	11,898	159					210	(204)
<b>Other financing sources (uses)</b>									
Sale of capital assets									
Operating transfers in									
Operating transfers out									
Total other financing sources (uses)									
Net change in fund balance before extraordinary item	(1,664)	11,898	159					210	(204)
Extraordinary gain (loss)									
Dissolution of redevelopment agency				202,594	(946,771)				
Total extraordinary gain (loss)				<u>202,594</u>	<u>(946,771)</u>				
Net change in fund balance	(1,664)	11,898	159	202,594	(946,771)			210	(204)
Fund balance, beginning of year	463,643	(303,801)	60,518	(202,594)	946,771	70	19,764	(369,488)	84,614
Fund balance, end of year	<u>\$461,979</u>	<u>\$ (291,903)</u>	<u>\$60,677</u>	<u>\$</u>	<u>\$</u>	<u>\$70</u>	<u>\$19,764</u>	<u>\$ (369,278)</u>	<u>\$84,410</u>

(1) Period is for the seven months from July 1, 2011 through January 31, 2012

**CITY OF SELMA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance –**  
**Nonmajor Capital Projects Funds**  
**For the Year Ended June 30, 2012**

	Amberwood Project	Tutelian Project	Selma Crossing Project	Brandywine Project	WalMart EIR	Caltrans Mitigation Fund	Cultural Arts Construction Fund	Total Nonmajor Capital Projects Funds
<b>Revenues</b>								
Taxes	\$	\$	\$	\$	\$	\$	\$	\$ 139,581
Charges for services								206,157
Revenue for use of money and property	69			4	337	373	684	8,840
Assessment payments			150,000					150,000
Miscellaneous							25	20,884
Total revenues	<u>69</u>		<u>150,000</u>	<u>4</u>	<u>337</u>	<u>373</u>	<u>709</u>	<u>525,462</u>
<b>Expenditures</b>								
Community development		4	130,047				219,727	402,904
Debt Service:								
Principal							45,290	45,290
Interest and fiscal charges							2,918	6,185
Total expenditures		<u>4</u>	<u>130,047</u>				<u>267,935</u>	<u>454,379</u>
Excess (deficiency) of revenues over (under) expenditures	69	(4)	19,953	4	337	373	(267,226)	71,083
<b>Other financing sources (uses)</b>								
Sale of capital assets							360,000	360,000
Operating transfers in							627,000	627,000
Operating transfers out								(227,000)
Total other financing sources (uses)							<u>987,000</u>	<u>760,000</u>
Net change in fund balance before extraordinary item	69	(4)	19,953	4	337	373	719,774	831,083
Extraordinary gain (loss)								
Dissolution of redevelopment agency								(2,234,377)
Total extraordinary gain (loss)								<u>(2,234,377)</u>
Net change in fund balance	69	(4)	19,953	4	337	373	719,774	(1,403,294)
Fund balance, beginning of year	<u>26,535</u>	<u>(1,638)</u>	<u>(154,243)</u>	<u>1,441</u>	<u>129,064</u>	<u>143,019</u>	<u>266,056</u>	<u>4,316,996</u>
Fund balance, end of year	<u>\$26,604</u>	<u>\$ (1,642)</u>	<u>\$ (134,290)</u>	<u>\$ 1,445</u>	<u>\$ 129,401</u>	<u>\$ 143,392</u>	<u>\$ 985,830</u>	<u>\$ 2,913,702</u>

**CITY OF SELMA**  
**Combining Statement of Net Assets**  
**Nonmajor Enterprise Funds**  
**June 30, 2012**

	Pioneer Village	Transit Service	Cultural Arts	Total Nonmajor Enterprise Funds
<b>Assets</b>				
Current assets				
Cash and investments	\$ 185,983	\$	\$	\$ 185,983
Accounts receivable	252			252
Interfund receivables	7,894	_____	_____	7,894
Total current assets	<u>194,129</u>	_____	_____	<u>194,129</u>
Noncurrent assets:				
Capital assets:				
Machinery and equipment	264,882		3,515	268,397
Less: accumulated depreciation	<u>(257,949)</u>	_____	<u>(3,515)</u>	<u>(261,464)</u>
Total noncurrent assets	<u>6,933</u>	_____	_____	<u>6,933</u>
Total assets	<u>\$ 201,062</u>	<u>\$</u>	<u>\$</u>	<u>\$ 201,062</u>
<b>Liabilities</b>				
Current liabilities:				
Other liabilities	11,599	8	180	11,787
Interfund payables	_____	_____	47,894	47,894
Total liabilities	<u>11,599</u>	<u>8</u>	<u>48,074</u>	<u>59,681</u>
<b>Net assets</b>				
Invested in capital assets, net of related debt	6,933			6,933
Unrestricted	<u>182,530</u>	<u>(8)</u>	<u>(48,074)</u>	<u>134,448</u>
Total net assets	<u>189,463</u>	<u>(8)</u>	<u>(48,074)</u>	<u>141,381</u>
Total liabilities and net assets	<u>\$ 201,062</u>	<u>\$</u>	<u>\$</u>	<u>\$ 201,062</u>

**CITY OF SELMA**  
**Combining Statement of Revenues, Expenses, and Changes in Net Assets**  
**Nonmajor Enterprise Funds**  
**For the Year Ended June 30, 2012**

	Pioneer Village	Transit Service	Cultural Arts	Total Nonmajor Enterprise Funds
<b>Operating Revenues</b>				
Charges for services	\$ 5,044	\$	\$ 740	\$ 5,784
Rents	25,349		3,608	28,957
Miscellaneous	<u>3,490</u>	<u>          </u>	<u>          </u>	<u>3,490</u>
Total operating revenues	<u>33,883</u>	<u>          </u>	<u>4,348</u>	<u>38,231</u>
<b>Operating Expenses</b>				
Services and supplies	16,971		8,565	25,536
Other internal services	11,537		6,029	17,566
Depreciation	<u>826</u>	<u>          </u>	<u>          </u>	<u>826</u>
Total operating expenses	<u>29,334</u>	<u>          </u>	<u>14,594</u>	<u>43,928</u>
Operating income (loss)	<u>4,549</u>	<u>          </u>	<u>(10,246)</u>	<u>(5,697)</u>
<b>Nonoperating revenues (expenses)</b>				
Investment income (loss)	<u>511</u>	<u>          </u>	<u>(15)</u>	<u>496</u>
Total nonoperating revenues (expenses)	<u>511</u>	<u>          </u>	<u>(15)</u>	<u>496</u>
Changes in net assets	5,060		(10,261)	(5,201)
Net assets (deficit), beginning of year	<u>184,403</u>	<u>(8)</u>	<u>(37,813)</u>	<u>146,582</u>
Net assets (deficit), end of year	<u>\$189,463</u>	<u>\$ (8)</u>	<u>\$(48,074)</u>	<u>\$141,381</u>

**CITY OF SELMA**  
**Combining Statement of Net Assets –**  
**Internal Service Funds**  
**June 30, 2012**

	Insurance	Fleet Management	Building & Utility	General Overhead	Information Processing	Total Internal Service Funds
<b>Assets</b>						
Current assets:						
Cash and investments	\$299,060	\$104,527	\$27,917	\$	\$	\$431,504
Accounts receivable			2,431			2,431
Inventories				591		591
Interfund receivables		779				779
Total assets	<u>\$299,060</u>	<u>\$105,306</u>	<u>\$30,348</u>	<u>\$ 591</u>	<u>\$</u>	<u>\$435,305</u>
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	12,093	19,631	10,652	137	672	43,185
Accrued wages/benefits		3,141	1,671	1,376	3,223	9,411
Deposits payable	119,345					119,345
Interfund payables				116	663	779
Total current liabilities	<u>131,438</u>	<u>22,772</u>	<u>12,323</u>	<u>1,629</u>	<u>4,558</u>	<u>172,720</u>
Noncurrent liabilities:						
Deposits payable	53,528					53,528
Total noncurrent liabilities	<u>53,528</u>					<u>53,528</u>
Total liabilities	<u>184,966</u>	<u>22,772</u>	<u>12,323</u>	<u>1,629</u>	<u>4,558</u>	<u>226,248</u>
<b>Net assets:</b>						
Unrestricted	114,094	82,534	18,025	(1,038)	(4,558)	209,057
Total net assets	<u>114,094</u>	<u>82,534</u>	<u>18,025</u>	<u>(1,038)</u>	<u>(4,558)</u>	<u>209,057</u>
Total liabilities and net assets	<u>\$299,060</u>	<u>\$105,306</u>	<u>\$30,348</u>	<u>\$ 591</u>	<u>\$</u>	<u>\$435,305</u>

**CITY OF SELMA**  
**Combining Statement of Revenues, Expenses, and Changes in Net Assets—**  
**Internal Service Funds**  
**For the Year Ended June 30, 2012**

	Insurance	Fleet Management	Building & Utility	General Overhead	Information Processing	Total Internal Service Funds
<b>Operating Revenues</b>						
Charges for services	\$1,787,601	\$692,654	\$820,827	\$170,179	\$258,132	\$3,729,393
Miscellaneous	221		433		169	823
Total operating revenues	<u>1,787,822</u>	<u>692,654</u>	<u>821,260</u>	<u>170,179</u>	<u>258,301</u>	<u>3,730,216</u>
<b>Operating Expenses</b>						
Personnel services		78,235	74,698	35,280	86,189	274,402
Services and supplies		458,734	50,139	42,644	144,539	696,056
Other internal services	<u>1,990,667</u>	<u>57,467</u>	<u>682,134</u>	<u>21,998</u>	<u>38,237</u>	<u>2,790,503</u>
Total operating expenses	<u>1,990,667</u>	<u>594,436</u>	<u>806,971</u>	<u>99,922</u>	<u>268,965</u>	<u>3,760,961</u>
Operating income (loss)	(202,845)	98,218	14,289	70,257	(10,664)	(30,745)
<b>Transfers</b>						
Transfers out				(72,650)		(72,650)
Net transfers				<u>(72,650)</u>		<u>(72,650)</u>
Changes in net assets	(202,845)	98,218	14,289	(2,393)	(10,664)	(103,395)
Net assets, beginning of year	<u>316,939</u>	<u>(15,684)</u>	<u>3,736</u>	<u>1,355</u>	<u>6,106</u>	<u>312,452</u>
Net assets, end of year	<u>\$ 114,094</u>	<u>\$ 82,534</u>	<u>\$ 18,025</u>	<u>\$ (1,038)</u>	<u>\$ (4,558)</u>	<u>\$ 209,057</u>

**CITY OF SELMA**  
**Combining Statement of Fiduciary Assets and Liabilities –**  
**Agency Funds**  
**June 30, 2012**

	Finance Clearing	Community Services Clearing	Planning Clearing	Public Works Clearing	Senior Citizens Clearing	Police Department Clearing	Asset Seizure Clearing	Graffiti Reward Fund	Total Agency Funds
<b>Assets</b>									
Cash and investments	\$	\$950	\$15,106	\$18,246	\$44,962	\$9,509	\$1,753	\$700	\$91,226
Due from other agencies	<u>5,805</u>								<u>5,805</u>
Total assets	<u>5,805</u>	<u>950</u>	<u>15,106</u>	<u>18,246</u>	<u>44,962</u>	<u>9,509</u>	<u>1,753</u>	<u>700</u>	<u>97,031</u>
<b>Liabilities</b>									
Accounts payable	3,255				1,875				5,130
Deposits	2,550	950	9,410	18,246		104	1,753		33,013
Other			5,696		43,087	9,405		700	58,888
Total liabilities	<u>5,805</u>	<u>950</u>	<u>15,106</u>	<u>18,246</u>	<u>44,962</u>	<u>9,509</u>	<u>1,753</u>	<u>700</u>	<u>97,031</u>
<b>Net Assets:</b>									
Total net assets	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

## SINGLE AUDIT SECTION



December 19, 2013

Honorable City Council  
City of Selma  
Selma, California

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Selma as of and for the fiscal year ended June 30, 2012, which collectively comprise the City of Selma's basic financial statements and have issued our report thereon dated December 19, 2013. 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

Management of the City of Selma is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management of employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. Items # 2012-3 – 2012-7.

City of Selma  
December 19, 2013

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. Items # 2012-1 – 2012-2.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

The City of Selma's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the entity, 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.

*Sampson, Sampson & Patterson, LLP*



Sampson, Sampson & Patterson, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

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December 19, 2013

Honorable City Council  
City of Selma  
Selma, California

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited City of Selma's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Selma's major federal programs for the year ended June 30, 2012. 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 of City of Selma's compliance with those requirements.

In our opinion, City of Selma complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the City Council, 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.

*Sampson, Sampson & Patterson, LLP*

**CITY OF SELMA**  
**Schedule of Expenditures of Federal Awards**  
**For The Year Ended June 30, 2012**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
<b>U.S. Department of Justice</b>			
Direct Programs			
COPS Hiring Recovery Program	16.710	2009RKWX0101	\$ 141,761
U.S. Marshall Service Joint Fugitive Apprehension	16.737	D97-10-0395	17,062
Ed Byrnes Memorial Grant	16.738	SB-39-0686	<u>1,951</u>
Total Department of Justice			<u>160,774</u>
<b>U.S. Environmental Protection Agency</b>			
Passed through State of California Water Resources Control Board:			
Capitalization Grants for Clean Water State			
Revolving Funds	66.458	09-845.550	<u>1,233,866</u>
Total U.S. Environmental Protection Agency			<u>1,233,866</u>
<b>U.S. Department of Transportation</b>			
Passed through State of California Office of Traffic Safety:			
Sobriety Checkpoints	20.600	SC 10402	10,739
Avoid the 21	20.600	unavailable	<u>22,432</u>
Total U.S. Department of Transportation			<u>33,171</u>
<b>U.S. Department of Housing and Urban Development</b>			
Direct Programs:			
Community Development Block Grant	14.218	11-031	427,998
Community Development Block Grant	14.218	11-651	<u>27,650</u>
Total Department of Housing and Urban Development			<u>455,648</u>

**CITY OF SELMA**  
**Schedule of Expenditures of Federal Awards**  
**For The Year Ended June 30, 2012**  
**(continued)**

**U.S. Department of Health and Urban Development**

Passed through Fresno/Madera Area Agency on Aging:  
FMAAA-Title IIIC-1

	93.045	97-0201	<u>8,340</u>
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Total U.S. Department of Health and Human Services	<u>8,340</u>
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**U.S. Department of Homeland Security**

Passed through County of Fresno:

State Homeland Security Grant Program	97.067	10-108	26,803
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State Homeland Security Grant Program	97.067	11-005	<u>29,391</u>
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Total U.S. Department of Homeland Security	<u>56,194</u>
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Total Expenditures of Federal Awards	<u>\$1,947,993</u>
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**CITY OF SELMA**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For The Year Ended June 30, 2012**

NOTE 1 – REPORTING ENTITY:

The financial reporting entity consists of (a) the primary government, City of Selma, California (the “City”), (b) organizations for which the primary government is financially accountable, including the Selma Redevelopment Agency, and Selma Public Finance Authority, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

Funds received under the various grant programs have been recorded within governmental fund types of the City. The City utilizes the modified accrual method of accounting for the governmental fund type. The accompanying Schedule of Expenditures of Federal Awards (Schedule) has been prepared on the modified accrual basis of accounting.

Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies as well as federal finance assistance passed through the State of California or County of Fresno is included in the Schedule.

The Schedule was presented only from the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

**CITY OF SELMA**  
**Schedule of Findings and Questioned Costs**  
**For The Year Ended June 30, 2012**

**Part I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:		<u>Unqualified</u>		
Internal control over financial reporting:				
Material weakness(es) identified?	<u>  X  </u>	Yes	<u>      </u>	No
Significant deficiency(s) identified not considered to be material weakness(es)?	<u>  X  </u>	Yes	<u>      </u>	No
Noncompliance material to financial statements notes?	<u>      </u>	Yes	<u>  X  </u>	No

**Federal Awards**

Internal control over major programs:				
Material weakness(es) identified?	<u>      </u>	Yes	<u>  X  </u>	No
Significant deficiency(s) identified not considered to be material weakness(es)?	<u>      </u>	Yes	<u>  X  </u>	No
Type of auditor's report issued on compliance for major programs:				

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

**Programs Subjected to Audit Procedures as Major Programs**

	<u>Name of Federal Program or Cluster</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds
14.218	Community Development Block Grant
97.067	State Homeland Security Grant Program

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

**CITY OF SELMA**  
**Summary Schedule of Prior Audit Findings**  
**For The Year Ended June 30, 2012**

**Part II - Financial Statement Finding Section**

**Significant Deficiencies, Material Weaknesses, and Instances of Noncompliance Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCY**

**2012-1 CASH RECEIPTS TESTING**

**Condition:**

During our testing of internal controls over cash receipts, we found that procedures were not being consistently applied.

- Receipt books are not kept track of:
  - Not all receipts agree to the names included on the deposit receipt report (e.g. a child's name gets recorded on the receipt and the parent's name gets recorded on the deposit detail report)
  - Multiple receipt books with the same receipt numbers were found
  - Reviewed receipt book that had pre-printed receipt numbers that were out of order
  - Multiple receipt books used for the same time period
- Receipts are not attached to any deposits made from the remote locations
- The recreation department shreds the yellow copy of the triplicate receipt when the receipt is input into the Trial Balance software
- In some cases receipts are deposited days after the date on the receipt
- Receipts were found that had different amounts in the 'DOLLARS' section of the receipt then in the 'amount paid' section of the receipt.
- There is no clear way to trace senior trip receipts for cash to the detail receipt report
- There are no receipts kept for senior meals, senior donations, or senior bingo
- There were receipts found in the receipt books that could not be traced to the detail receipt report
- There were deposits per the detail receipt report for which a receipt could not be found

**Criteria:**

Internal controls over cash receipts should be established and continuously monitored for compliance to reduce the possibility of misappropriation of the City's funds.

**Effect of Condition:**

Inadequate documentation over cash receipts increases the risk that the City's funds could be misappropriated without being detected.

**CITY OF SELMA**  
**Summary Schedule of Prior Audit Findings**  
**For The Year Ended June 30, 2012**

**Cause of Condition:**

Internal control procedures are not being consistently followed.

**Recommendation:**

The City needs to set-up a system to improve internal controls over cash. A log needs to be set up for the issuance of receipt books in order to control and record which department has what receipt book and ensure duplicate receipt books are not given out. Employees should be held accountable for the correct use of those books. When receipt books are full, they should be turned into the finance department and issued a new one. Voided receipts should be indicated on the receipt and all receipts accounted for in the receipt book. When a department turns in their daily deposit summary sheet all of the supporting receipts should be attached and the Finance department should verify that all receipts have been properly accounted for prior to making the deposit. The Finance department should also review the receipt numbers to ensure receipts are being written in sequential order. The Finance department should not commingle the money it receives during the day from various departments but should keep track of different department money separately to ensure all money deposited has proper support and has been correctly input into the Trial Balance software. Names on individual receipts should co-inside with names in the software. This will facilitate tracing cash receipts to accounting records.

**Response:**

A log will be set up to control the issuance of receipt books. Receipt books will be under the control of the finance department. Controls will be set up regarding the use and accounting for receipts including voided receipts and the documentation that will accompany the receipts. No receipts shall be commingled to insure proper recording of funds into the proper accounts.

**CITY OF SELMA**  
**Summary Schedule of Prior Audit Findings**  
**For The Year Ended June 30, 2012**

**SIGNIFICANT DEFICIENCY**

**2012-2 PAYROLL**

**Condition:**

As part of our test of controls procedures we selected two check register dates and from those selected every fourth employee for testing. From our controls testing performed we noted the following:

- The same person can add a new employee, process payroll, and run checks/direct deposit
- Two employees were accruing comp time beyond the maximum comp time allowed
- Four employee timesheets tested were not properly signed

**Criteria:**

Internal control over payroll dictates that segregation of duties exist within the payroll cycle, employees accrue comp time within the established maximum amounts, and employee timesheets be approved prior to processing payroll.

**Effect of Condition:**

Lack of segregation of duties within the payroll environment raises concerns surrounding the ability to create a fictitious employee, run payroll, and process the payroll checks without a second pair of eyes reviewing the process. Employees accruing comp time beyond the maximum comp time allowed could result in the financial statements being misstated or an employee receiving an incorrect payout. Timesheet approval provides a review of the hours worked to indicate accuracy.

**Cause of Condition:**

Failure to follow payroll procedures.

**Recommendation:**

We recommend a more thorough review of timesheets be performed by the department head or supervisor that signs off on the timesheet. We recommend the finance department also perform a review of timesheets when they are booking payroll to ensure all timesheets have been properly signed by the employee and the applicable management personnel. We recommend the finance department review the accrued vacation schedule for every employee to ensure employees are accruing the proper amounts and are not accruing more than the maximum amount allowed. Segregation of duties should be set up in order to prevent the payroll accountant from being able to create employees, process payroll, and print payroll checks/run direct deposit.

**CITY OF SELMA**  
**Summary Schedule of Prior Audit Findings**  
**For The Year Ended June 30, 2012**

Response:

The payroll process is being reviewed to increase segregation of duties over adding employees, processing payroll and running checks. A meeting will be held to review the payroll process and emphasize the need for timesheets to be reviewed thoroughly by the department, as well as finance. All departments will be reminded to properly sign and endorse timesheets prior to submittal with finance. Additional procedures will be installed to assure that vacation accruals are accurately reflected in the payroll records.

**CITY OF SELMA**  
**Summary Schedule of Prior Audit Findings**  
**For The Year Ended June 30, 2012**

**MATERIAL WEAKNESS**

**2012-3 BANK RECONCILIATIONS**

**Condition:**

A review of the bank reconciliations at June 30, 2012 indicated that they did not agree with the underlying City's records, the general ledger. Also, the trustee statements for cash-with-Agent accounts were not reconciled. It took the City several months to reconcile these accounts.

**Criteria:**

Failure to reconcile cash in a timely manner is a deficiency in internal controls over significant account balances.

**Effect of Condition:**

Not reconciling the bank accounts to the general ledger on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis. Also, it is generally easier and less time consuming to reconcile accounts while transactions are fresh in mind.

**Cause of Condition:**

Turnover of finance staff and failure of the finance department to prioritize the cash reconciliation process.

**Recommendation:**

Timely preparation of complete and accurate bank reconciliations is the key to maintaining adequate control over cash receipts and disbursements. We recommend that all bank accounts be reconciled each month to the City's financial statements (i.e. the general ledger).

**Response:**

Bank reconciliations will be completed on a monthly basis.

**CITY OF SELMA  
Summary Schedule of Prior Audit Findings  
For The Year Ended June 30, 2012**

**MATERIAL WEAKNESS**

**2012-4 LONG-TERM LIABILITIES**

**Condition:**

Debt principal and interest payments were posted to several wrong accounts and amounts, for the most part, did not agree with actual debt and interest payments.

**Criteria:**

Debt payments posted to wrong accounts is a deficiency in internal controls as it indicates a lack of understanding of governmental accounting and a failure to reconcile debt payment accounts.

**Effect of Condition:**

Due to all the positing errors, amounts in several funds were not correct. Expenses for debt payments were overstated in some funds and understated in others.

**Cause of Condition:**

Failure on the part of the finance staff to recognize erroneous postings and failure to review the general ledger on an ongoing basis.

**Recommendation:**

All debt payments and entries need to be reviewed by a knowledgeable finance person on an ongoing monthly basis. Additional training of finance staff in long-term debt accounting should be considered.

**Response:**

All debt payments will be reviewed by a knowledgeable person in finance on an ongoing monthly basis. Discussions have taken place to assure proper recording in the future.

**CITY OF SELMA**  
**Summary Schedule of Prior Audit Findings**  
**For The Year Ended June 30, 2012**

**MATERIAL WEAKNESS**

**2012-5 CASH DISBURSEMENT TESTING**

**Condition:**

During our testing of internal controls over cash disbursements we selected a sample of forty (40) disbursements for the year to ensure disbursements were appropriately supported, reviewed, and coded. We noted the following:

- Signature stamps were being used to approve invoices for payment and to sign the corresponding check (10)
- Signature stamps are not adequately restricted in the finance department
- Invoices were not properly coded to the correct general ledger account code (1)
- Checks were not properly supported prior to payment (3)
- The same person could add a new vendor to the accounting software, process a payment, and use the signature stamps to sign the check

**Criteria:**

Strong internal controls over cash disbursement should be established and continuously monitored to reduce the possibility of misappropriation of the City's funds.

**Effect of Condition:**

Inadequate controls over cash disbursements increase the risk that the City's funds can be misappropriated without being detected.

**Cause of Condition:**

Internal control procedures are not being consistently followed.

**Recommendation:**

We recommend management perform a thorough review of all cash disbursements to ensure no disbursement is paid without the appropriate support, appropriate approval, and appropriate general ledger account code. We recommend staff be made aware of the signatory policy so as to help the City's disbursements be in compliance with the policy and to ensure signature stamps are used properly. We also recommend segregation of duties be established to prevent the same person from being able to add a new vendor, process a payment, and stamp the check signed with the signature stamps.

**Response:**

Procedures will be implemented to ensure no disbursement is paid without the appropriate support, approval and proper account coding. A meeting took place to reinforce staff's understanding of the signatory policy. To the extent possible, additional segregation of duties will be implemented to the disbursement system to prevent incompatible functions.

**CITY OF SELMA  
Summary Schedule of Prior Audit Findings  
For The Year Ended June 30, 2012**

**MATERIAL WEAKNESS**

**2012-6 SELMA REDEVELOPMENT AGENCY DISSOLUTION**

**Condition:**

As more fully described in the notes to the financial statements, the dissolution of the Selma Redevelopment Agency was effective as of February 1, 2012. The Finance Department did not properly record the transfer of the account balances from the Redevelopment Agency to the Successor Agency, resulting in the related trial balances being materially misstated. The funds of the former Redevelopment Agency are considered governmental funds and use the modified accrual basis of accounting. The Successor Agency is considered a Private Purpose Trust Fund and uses the full-accrual basis of accounting. The necessary adjustments were not made by the City staff to convert the balances in the Successor Agency to the correct method of accounting.

**Criteria:**

As of the date of dissolution, the assets and liabilities of the former Redevelopment Agency should have been transferred to the Successor Agency and a gain or loss on dissolution reported on the Redevelopment Agency and Successor Agency books as of February 1, 2012.

**Effect of Condition:**

The account balances of the both the former Redevelopment Agency and Successor Agency were materially misstated when presented to the auditors.

**Cause of Condition:**

The staff of the Finance Department did not have an adequate understanding of how the dissolution of the Selma Redevelopment Agency should be recorded.

**Recommendation:**

Additional efforts should be made to determine that appropriate reporting standards are being followed when accounting for unusual transactions. Additional training for the accounting staff in the area of governmental accounting would also be beneficial.

**Response**

Additional training will take place with the accounting staff in the area of governmental accounting and reporting standards.

**CITY OF SELMA**  
**Summary Schedule of Prior Audit Findings**  
**For The Year Ended June 30, 2012**

**MATERIAL WEAKNESS**

**2012-7 JOURNAL ENTRY TESTING**

**Condition:**

As part of our required journal entry testing we selected three journal entry binders and from those selected three individual journal entries for testing for a sample of nine (9). From our audit procedures we noted the following:

- Journal entries are not being consistently reviewed
- Journal entries are being made for extremely immaterial amounts
- Two journal entries selected were not properly supported
- Journal entries are input into the accounting system by the preparer
- Two journal entries tested did not have the preparers name on them
- One journal entry indicated the preparer and that the entry needed to be corrected by a different accountant at a future date

**Criteria:**

Good accounting practices include timely approval of journal entries, adequate supporting documentation for those entries, and proper numbering and recording of journal entries.

**Effect of Condition:**

Erroneous journal entries could be made to the books and records thus distorting financial data. In addition, the workload increases for the finance department and auditors when reconciling misstated accounts due to erroneous journal entries.

**Cause of Condition:**

No formal journal entry policy is being followed when creating and posting journal entries.

**Recommendation:**

We recommend all journal entries be reviewed by a supervisor. We recommend a formal journal entry policy be established that provides review procedures. Review procedures will help lessen the need for multiple reclassification journal entries and the need for extremely immaterial journal entries as mistakes will be caught before the journal entry hits the general ledger. We recommend all journal entries be properly supported. A review of journal entries will help ensure all journal entries are properly supported and have a proper purpose. We recommend the preparer of the journal entry not be allowed to input their own journal entry into the accounting system. This will ensure additional review of the journal entries. A thorough review of journal entries will also catch journal entries that are not properly dated and signed by the preparer. Journal entries should not be made with the intent that someone else will fix the journal entry at a later date.

**CITY OF SELMA  
Summary Schedule of Prior Audit Findings  
For The Year Ended June 30, 2012**

Response:

All journal entries will be reviewed and signed off by the finance department manager. A formal policy will be established that will provide for review procedures. The preparer of the entry will not be allowed to input their own journal entries into the accounting system.

**CITY OF SELMA**  
**Summary Schedule of Prior Audit Findings**  
**For The Year Ended June 30, 2012**

**Part III - Federal Award Findings and Questioned Costs Section**

Significant Deficiencies, Material Weaknesses, and Instances of Noncompliance Related to the Audit of Major Federal Programs:

None.

**CITY OF SELMA**  
**Summary Schedule of Prior Audit Findings**  
**For The Year Ended June 30, 2012**

There were no reportable audit findings in the prior fiscal year ended June 30, 2011.