

CITY OF SELMA

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2013

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November 28, 2014

Honorable City Council of
The City of Selma
Selma, California

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

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, 2013, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Selma as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

City of Selma
November 28, 2014

Other Matters

Required Supplementary Information

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 42-43 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Selma's financial statements. The introductory section, combining and individual nonmajor fund financial statements, are presented for purpose of additional analysis and are not a required part of the basic financial statements. The 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 basic financial statements.

The combining and individual nonmajor fund 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2014 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* in considering City of Selma's internal control over financial reporting and compliance.

Sampson, Sampson & Patterson, LLP

CITY OF SELMA
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

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, 2013. 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 \$7.57 million.
- The City's General Fund ended the year with a balance of \$841,428, an increase of \$796,597 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 Position presents information on all the City's assets and liabilities, with the difference between the two reported as net position. 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).

CITY OF SELMA
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013

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.

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, 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.

CITY OF SELMA
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(continued)

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 ambulance and garbage service, 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.

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 Garbage 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, 2013
(continued)

Government-wide Financial Analysis

Below is a table showing the City's net position for the fiscal year ended June 30, 2013, with comparative data for the fiscal year ended June 30, 2012.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$11,646,939	\$ 10,885,162	\$1,117,941	\$ 924,763	\$12,764,880	\$ 11,809,925
Capital and long-term assets	<u>53,753,220</u>	<u>54,458,707</u>	<u>6,108</u>	<u>347,039</u>	<u>53,759,328</u>	<u>54,805,746</u>
Total assets	<u>\$65,400,159</u>	<u>\$ 65,343,869</u>	<u>\$1,124,049</u>	<u>\$ 1,271,802</u>	<u>\$66,524,208</u>	<u>\$ 66,615,671</u>
Long-term liabilities outstanding	\$ 9,256,941	\$ 9,728,180	\$	\$	\$ 9,256,941	\$ 9,728,180
Other liabilities	<u>846,936</u>	<u>1,446,153</u>	<u>208,687</u>	<u>176,097</u>	<u>1,055,623</u>	<u>1,622,250</u>
Total liabilities	<u>10,103,877</u>	<u>11,174,333</u>	<u>208,687</u>	<u>176,097</u>	<u>10,312,564</u>	<u>11,350,430</u>
Net position	<u>\$55,296,282</u>	<u>\$ 54,169,536</u>	<u>\$ 915,362</u>	<u>\$ 1,095,705</u>	<u>\$56,211,644</u>	<u>\$ 55,265,241</u>
Investment in capital assets net of related debt	\$48,214,318	\$ 47,715,921	\$ 6,108	\$ 299,590	\$48,220,426	\$ 48,015,511
Restricted	<u>9,947,045</u>	<u>10,668,717</u>			<u>9,947,045</u>	<u>10,668,717</u>
Unrestricted	<u>(2,865,081)</u>	<u>(4,215,102)</u>	<u>909,254</u>	<u>796,115</u>	<u>(1,955,827)</u>	<u>(3,418,987)</u>
Total net position	<u>\$55,296,282</u>	<u>\$ 54,169,536</u>	<u>\$ 915,362</u>	<u>\$ 1,095,705</u>	<u>\$56,211,644</u>	<u>\$ 55,265,241</u>

As of June 30, 2013 the City's government-wide total assets exceeded liabilities (net position) by \$56.2 million. Governmental activities finished the year with a positive net position balance of \$55.3 million. Business type activities finished the year with a positive balance of \$.9 million. Net position 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 \$9.9 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, 2013
(continued)

Governmental Activities

The following lists key components of these activities:

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues						
Program revenues:						
Charges for services	\$ 531,518	\$ 653,982	\$3,155,609	\$3,342,085	\$ 3,687,127	\$ 3,996,067
Operating grants and contributions	430,818	343,209	12,396	1,675	443,214	344,884
Capital grants and contributions	1,192,817	1,787,260			1,192,817	1,787,260
General revenues:						
Taxes	8,879,135	8,575,913			8,879,135	8,575,913
Licenses and permits	342,196	375,733			342,196	375,733
Intergovernmental charges	1,249,150	2,028,867			1,249,150	2,028,867
Fines	74,045	87,027			74,045	87,027
Franchise fees	718,388	722,205			718,388	722,205
Use of money and Property	120,271	93,048	16,281	30,414	136,552	123,462
Miscellaneous	718,473	644,832	(327,304)	1,815	391,169	646,647
Transfers	780,423	424,449	(780,423)	(424,449)		
Total revenues	<u>15,037,234</u>	<u>15,736,525</u>	<u>2,076,559</u>	<u>2,951,540</u>	<u>17,113,793</u>	<u>18,688,065</u>
Expenses						
General government	1,716,306	1,479,747			1,716,306	1,479,747
Public safety	7,194,812	6,055,703			7,194,812	6,055,703
Public works	2,853,131	2,405,567			2,853,131	2,405,567
Community development	1,745,380	2,100,269			1,745,380	2,100,269
Cultural and recreation	298,556	339,456			298,556	339,456
Debt service	582,303	756,622			582,303	756,622
Ambulance			987,065	1,878,264	987,065	1,878,264
Pioneer village			30,965	29,334	30,965	29,334
Garbage services			1,228,310	1,224,700	1,228,310	1,224,700
Cultural arts			10,562	14,594	10,562	14,594
Total expenses	<u>14,390,488</u>	<u>13,137,364</u>	<u>2,256,902</u>	<u>3,146,892</u>	<u>16,647,390</u>	<u>16,284,256</u>
Extraordinary gain on dissolution of redevelopment agency		<u>5,185,702</u>				<u>5,185,702</u>
Increase in net position	646,746	7,784,863	(180,343)	(195,352)	466,403	7,589,511
Prior period adjustments	480,000				480,000	
Net position – beginning	<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>
Net position - ending	<u>\$55,296,282</u>	<u>\$54,169,536</u>	<u>\$ 915,362</u>	<u>\$1,095,705</u>	<u>\$56,211,644</u>	<u>\$55,265,241</u>

The Governmental revenues for the year were \$15.0 million. Taxes, which include property, sales and other taxes account for \$8.879 million or 59.86% of the City's governmental activities revenue. Total governmental expenses for the year were \$14.4 million. Public Safety, which includes police and fire, accounts for \$7.2 million or 50.0% of the total governmental activity expenses.

CITY OF SELMA
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(continued)

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.

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 \$7.57 million, which is an increase of \$576,012 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 net position.

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	
	2013	2012	2013	2012	2013	2012
Land	\$ 7,790,302	\$ 7,790,302	\$	\$	\$ 7,790,302	\$ 7,790,302
Construction in progress	6,246,978	3,912,655			6,246,978	3,912,655
Building and improvements	3,899,308	3,899,308	264,882	264,882	4,164,190	4,164,190
Machinery and equipment	7,142,977	7,835,252	3,515	782,102	7,146,492	8,617,354
Road network	<u>90,870,648</u>	<u>90,871,648</u>			<u>90,870,648</u>	<u>90,871,648</u>
Total	<u>\$115,950,213</u>	<u>\$114,309,165</u>	<u>\$268,397</u>	<u>\$1,046,984</u>	<u>\$116,218,610</u>	<u>\$115,356,149</u>

Long-term Debt. The City's long-term debt as of June 30, 2013 was \$8.71 million with governmental activities accounting for most debt.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Special assessment debt with governmental commitment	\$3,585,000	\$3,885,000	\$	\$	\$3,585,000	\$3,885,000
Capital leases	463,902	663,624		47,449	463,902	711,073
Revenue bonds	4,615,000	5,190,000			4,615,000	5,190,000
Contracts payable	<u>42,530</u>	<u>62,125</u>			<u>42,530</u>	<u>62,125</u>
Total	<u>\$8,706,432</u>	<u>\$9,800,749</u>	<u>\$</u>	<u>\$47,449</u>	<u>\$8,706,432</u>	<u>\$9,848,198</u>

CITY OF SELMA
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2013
(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, 2013, 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 Position
June 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 6,142,960	\$ 386,691	\$ 6,529,651
Receivables:			
Accounts, net	209,490	710,145	919,635
Notes	3,107,683		3,107,683
Intergovernmental	1,201,769		1,201,769
Prepaid expenses	475	80,333	80,808
Internal balances	60,000	(60,000)	
Inventory	23,091	772	23,863
Cash with fiscal agent - restricted	901,471		901,471
Capital assets (net of accumulated depreciation):			
Non-depreciable	14,037,280		14,037,280
Depreciable	<u>39,715,940</u>	<u>6,108</u>	<u>39,722,048</u>
Total assets	<u>65,400,159</u>	<u>1,124,049</u>	<u>66,524,208</u>
Liabilities			
Accounts payable	453,478	101,965	555,443
Accrued wages/benefits	302,315	106,722	409,037
Deposits and other liabilities	91,143		91,143
Noncurrent liabilities:			
Due within one year	600,200		600,200
Due in more than one year	<u>8,656,741</u>		<u>8,656,741</u>
Total liabilities	<u>10,103,877</u>	<u>208,687</u>	<u>10,312,564</u>
Net position			
Invested in capital assets, net of related debt	48,214,318	6,108	48,220,426
Restricted for:			
Capital projects	2,530,351		2,530,351
Community development	3,169,113		3,169,113
Debt service	1,215,401		1,215,401
Public safety	71,020		71,020
Streets and roads	2,961,160		2,961,160
Unrestricted	<u>(2,865,081)</u>	<u>909,254</u>	<u>(1,955,827)</u>
Total net position	<u>\$55,296,282</u>	<u>\$ 915,362</u>	<u>\$56,211,644</u>

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

CITY OF SELMA
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
Primary government						
Governmental activities:						
General government	\$ 1,716,306	\$ 41,086	\$ 70,497	\$	\$ (1,604,723)	\$ (1,604,723)
Public safety	7,194,812	103,370	360,321		(6,731,121)	(6,731,121)
Public works	2,853,131	222,058		929,015	(1,702,058)	(1,702,058)
Community development	1,745,380	121,771		263,802	(1,359,807)	(1,359,807)
Parks and recreation	298,556	43,233			(255,323)	(255,323)
Interest on long-term debt	582,303				(582,303)	(582,303)
Total governmental activities	14,390,488	531,518	430,818	1,192,817	(12,235,335)	(12,235,335)
Business-type activities:						
Ambulance	987,065	1,908,745			921,680	921,680
Garbage	1,228,310	1,227,541			(769)	(769)
Pioneer Village	30,965	15,941	12,396		(2,628)	(2,628)
Cultural arts	10,562	3,382			(7,180)	(7,180)
Total business-type activities	2,256,902	3,155,609	12,396		911,103	911,103
Total primary government	\$16,647,390	\$3,687,127	\$443,214	\$1,192,817	\$ (12,235,335)	\$ (11,324,232)
General revenues:						
Taxes					8,879,135	8,879,135
Licenses & Permits					342,196	342,196
Intergovernmental					1,249,150	1,249,150
Fines					74,045	74,045
Franchise fees					718,388	718,388
Use of money & property					16,281	136,552
Assessments						134,114
Miscellaneous					6,271	626,628
Disposition of property					(333,575)	(369,573)
Transfers					(780,423)	
Total general revenues and transfers					(1,091,446)	11,790,635
Change in net position					646,746	466,403
Net position, beginning of year, as previously reported					54,169,536	55,265,241
Prior period adjustment					480,000	480,000
Net position, beginning of year, restated					54,649,536	55,745,241
Net position, end of year					\$ 55,296,282	\$ 56,211,644

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

CITY OF SELMA
Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	Street Maintenance Fund	Developmental Impact Streets & Traffic	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 758,358	\$154,265	\$ 288,772	\$4,870,082	\$6,071,477
Cash with fiscal agent		339,562		561,909	901,471
Accounts receivable	193,350	9,320		2,015	204,685
Interest receivable	3,110				3,110
Interfund receivables	81,402		810,000	754,000	1,645,402
Due from other agencies	206,793	14,682		775,546	997,021
Inventories	2,557	19,854			22,411
Prepaid items	475				475
Total assets	<u>\$1,246,045</u>	<u>\$537,683</u>	<u>\$1,098,772</u>	<u>\$6,963,552</u>	<u>\$9,846,052</u>
Liabilities					
Accounts payable	\$ 90,157	\$ 22,772	\$	\$ 213,773	\$ 326,702
Accrued wages/benefits	247,030	14,840		29,624	291,494
Interfund payables		300,000		1,285,402	1,585,402
Other liabilities	67,430			4,582	72,012
Total liabilities	<u>404,617</u>	<u>337,612</u>	<u></u>	<u>1,533,381</u>	<u>2,275,610</u>
Fund balance					
Nonspendable	3,032				3,032
Restricted for:					
Streets and roads		200,071	1,098,772	1,457,569	2,756,412
Public safety				71,020	71,020
Community development				61,430	61,430
Debt service				1,215,401	1,215,401
Capital projects				2,530,351	2,530,351
Committed for:					
Community development				605	605
Recreation				2,700	2,700
Capital projects				855,825	855,825
Assigned for:					
Community development				22,002	22,002
Equipment replacement				209,490	209,490
Unassigned	838,396			(996,222)	(157,826)
Total fund balance	<u>841,428</u>	<u>200,071</u>	<u>1,098,772</u>	<u>5,430,171</u>	<u>7,570,442</u>
Total liabilities and fund balance	<u>\$1,246,045</u>	<u>\$537,683</u>	<u>\$1,098,772</u>	<u>\$6,963,552</u>	<u>\$9,846,052</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 Position
June 30, 2013

Total fund balance – governmental funds balance sheet	\$ 7,570,442
Amounts reported for governmental activities in the statement of net position are different because:	
Long-term receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	204,748
Capital assets used in governmental activities are not reported in the funds.	53,753,220
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	(9,256,941)
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 position.	(82,870)
Assessments receivable unavailable to pay for current period expenditures are deferred in the funds.	<u>3,107,683</u>
Net assets of governmental activities – Statement of Net Position	<u>\$55,296,282</u>

CITY OF SELMA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2013

	General Fund	Street Maintenance Fund	Developmental Impact Streets & Traffic	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$7,024,447	\$	\$	\$ 1,854,688	\$ 8,879,135
Licenses and permits	328,035	14,161			342,196
Intergovernmental	99,800			2,568,237	2,668,037
Charges for services	241,789	162,066		127,663	531,518
Fines	43,403			30,642	74,045
Franchise fees	718,388				718,388
Revenue for use of money and property	46,526			73,745	120,271
Assessment payments				625,682	625,682
Miscellaneous	117,420	17,060		645,626	780,106
Total revenues	<u>8,619,808</u>	<u>193,287</u>		<u>5,926,283</u>	<u>14,739,378</u>
Expenditures					
General government	1,628,735			40,588	1,669,323
Public safety	6,232,327			741,827	6,974,154
Public works	492,298	853,038		398,174	1,743,510
Community development	279,375			1,677,870	1,957,245
Recreation	243,984				243,984
Capital outlay	35,175			1,214,619	1,249,794
Debt service:					
Principal	148,458	130,859		335,000	614,317
Interest and fiscal charges	25,307	291,328		265,668	582,303
Total expenditures	<u>9,085,659</u>	<u>1,275,225</u>		<u>4,673,746</u>	<u>15,034,630</u>
Excess (deficiency) of revenues over (under) expenditures	(465,851)	(1,081,938)		1,252,537	(295,252)
Other financing sources (uses)					
Operating transfers in	1,639,562	1,475,868		1,338,905	4,454,335
Operating transfers out	(377,114)		(350,000)	(2,855,957)	(3,583,071)
Total other financing sources (uses)	<u>1,262,448</u>	<u>1,475,868</u>	<u>(350,000)</u>	<u>(1,517,052)</u>	<u>871,264</u>
Net change in fund balance	796,597	393,930	(350,000)	(264,515)	576,012
Fund balance, beginning of year	<u>44,831</u>	<u>(193,859)</u>	<u>1,448,772</u>	<u>5,694,686</u>	<u>6,994,430</u>
Fund balance, end of year	<u>\$ 841,428</u>	<u>\$ 200,071</u>	<u>\$1,098,772</u>	<u>\$ 5,430,171</u>	<u>\$ 7,570,442</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, 2013

Net change in fund balance – total governmental funds	\$ 576,012
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 capital outlays exceeds depreciation in the current period.	183,675
Payments received on long-term receivables are reported as revenues in the fund statements but reduced the receivable amount in the statement of net position.	(651,317)
Repayment of debt principal is an expenditure in the funds but is not an expense in the statement of activities.	614,317
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	204,748
The net revenue (expense) of internal service funds is reported with governmental activities.	(291,927)
Compensated absences are reported as the amount earned in the statement of activities but as the amount paid in the funds.	<u>11,238</u>
Change in net position of governmental activities – Statement of Activities	<u>\$ 646,746</u>

CITY OF SELMA
Statement of Net Position
Proprietary Funds
June 30, 2013

	Business-Type Activities – Enterprise Funds				Internal Service Funds
	Ambulance	Garbage	Nonmajor Enterprise Funds	Total	
Assets					
Current assets:					
Cash and investments	\$ 70,154	\$114,500	\$ 202,037	\$ 386,691	\$ 71,483
Accounts receivables, net	709,870		275	710,145	1,695
Prepaid expenses	80,333			80,333	
Inventories	772			772	680
Interfund receivables					<u>133,805</u>
Total current assets	<u>861,129</u>	<u>114,500</u>	<u>202,312</u>	<u>1,177,941</u>	<u>207,663</u>
Noncurrent assets:					
Capital assets:					
Machinery and equipment			268,397	268,397	
Less: Accumulated depreciation			<u>(262,289)</u>	<u>(262,289)</u>	
Total noncurrent assets			<u>6,108</u>	<u>6,108</u>	
Total assets	<u>\$ 861,129</u>	<u>\$114,500</u>	<u>\$ 208,420</u>	<u>\$1,184,049</u>	<u>\$207,663</u>
Liabilities					
Current liabilities:					
Accounts payable	\$ 118	\$101,552	\$ 295	\$ 101,965	\$126,776
Accrued wages/benefits	106,722			106,722	10,821
Deposits payable					19,131
Interfund payables			<u>60,000</u>	<u>60,000</u>	<u>133,805</u>
Total liabilities	<u>106,840</u>	<u>101,552</u>	<u>60,295</u>	<u>268,687</u>	<u>290,533</u>
Net Position					
Invested in capital assets, net of related debt			6,108	6,108	
Unrestricted	<u>754,289</u>	<u>12,948</u>	<u>142,017</u>	<u>909,254</u>	<u>(82,870)</u>
Total net position	<u>754,289</u>	<u>12,948</u>	<u>148,125</u>	<u>915,362</u>	<u>(82,870)</u>
Total liabilities and net position	<u>\$ 861,129</u>	<u>\$114,500</u>	<u>\$ 208,420</u>	<u>\$1,184,049</u>	<u>\$207,663</u>

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

CITY OF SELMA
Statement of Revenues, Expenses, and
Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Business-Type Activities – Enterprise Funds				Internal Service Funds
	Ambulance	Garbage	Nonmajor Enterprise Funds	Total	
Operating Revenues					
Taxes	\$	\$1,227,541	\$	\$1,227,541	\$
Charges for services	1,908,745		19,323	1,928,068	3,415,197
Rents			16,281	16,281	
Miscellaneous	6,000		12,667	18,667	
Total operating revenues	<u>1,914,745</u>	<u>1,227,541</u>	<u>48,271</u>	<u>3,190,557</u>	<u>3,415,197</u>
Operating Expenses					
Personnel services	14,690			14,690	267,688
Services and supplies	964,074	1,228,310	22,081	2,214,465	700,764
Other internal services			18,620	18,620	2,647,831
Depreciation	6,531		826	7,357	
Total operating expenses	<u>985,295</u>	<u>1,228,310</u>	<u>41,527</u>	<u>2,255,132</u>	<u>3,616,283</u>
Operating income (loss)	929,450	(769)	6,744	935,425	(201,086)
Nonoperating revenues (expenses)					
Loss on disposition of capital assets	(333,575)			(333,575)	
Interest expense	(1,770)			(1,770)	
Total nonoperating revenues (expenses)	<u>(335,345)</u>			<u>(335,345)</u>	
Income (loss) before transfers	594,105	(769)	6,744	600,080	(201,086)
Transfers					
Transfers out	(780,423)			(780,423)	(90,841)
Net transfers	<u>(780,423)</u>			<u>(780,423)</u>	<u>(90,841)</u>
Changes in net position	(186,318)	(769)	6,744	(180,343)	(291,927)
Net position, beginning of year	<u>940,607</u>	<u>13,717</u>	<u>141,381</u>	<u>1,095,705</u>	<u>209,057</u>
Net position, end of year	<u>\$ 754,289</u>	<u>\$ 12,948</u>	<u>\$148,125</u>	<u>\$ 915,362</u>	<u>\$ (82,870)</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, 2013

	Business-Type Activities – Enterprise Funds				Internal Service Funds
	Ambulance	Garbage	Nonmajor Enterprise Funds	Total	
Cash flows from operating activities					
Cash received for current services	\$ 1,749,658	\$	\$ 19,300	\$ 1,768,958	\$ 3,415,933
Cash received for rents			16,281	16,281	
Cash received for other operating revenues	6,000	1,310,099	12,667	1,328,766	
Cash paid for services and supplies	(1,049,594)	(1,126,758)	(52,194)	(2,228,546)	(3,429,885)
Cash paid for salaries and benefits	(19,524)			(19,524)	(266,278)
Net cash provided (used) by operating activities	<u>686,540</u>	<u>183,341</u>	<u>(3,946)</u>	<u>865,935</u>	<u>(280,230)</u>
Cash flows from noncapital financing activities					
Transfers (to) from other funds	(780,423)			(780,423)	(79,791)
Loans from/(to) other funds		(68,841)	20,000	(48,841)	
Net cash provided (used) by financing activities	<u>(780,423)</u>	<u>(68,841)</u>	<u>20,000</u>	<u>(829,264)</u>	<u>(79,791)</u>
Cash flows from capital and related financing activities					
Principal paid on long-term debt	(47,449)			(47,449)	
Interest paid	(1,770)			(1,770)	
Net cash provided (used) by capital and related financing activities	<u>(49,219)</u>			<u>(49,219)</u>	
Net increase (decrease) in cash and cash equivalents	(143,102)	114,500	16,054	(12,548)	(360,021)
Cash and cash equivalents, beginning of year	<u>213,256</u>		<u>185,983</u>	<u>399,239</u>	<u>431,504</u>
Cash and cash equivalents, end of year	<u>\$ 70,154</u>	<u>\$ 114,500</u>	<u>\$202,037</u>	<u>\$ 386,691</u>	<u>\$ 71,483</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income/(loss)	\$ 929,450	\$ (769)	\$ 6,744	\$ 935,425	\$ (212,136)
Adjustments to reconcile operating income to net cash provided (used) by operating activities					
Depreciation	6,531		825	7,356	
(Increase) decrease in net assets:					
Accounts receivable	(159,087)	82,558	(23)	(76,552)	736
Prepaid expenses	(80,333)			(80,333)	
Inventories					(89)
Increase (decrease) in net liabilities:					
Accounts payable	(5,187)	101,552		96,365	83,591
Accrued wages/benefits	(4,834)			(4,834)	1,410
Other liabilities			(11,492)	(11,492)	(153,742)
Total adjustments	<u>(242,910)</u>	<u>184,110</u>	<u>(10,690)</u>	<u>(69,490)</u>	<u>(68,094)</u>
Net cash provided (used) by operating activities	<u>\$ 686,540</u>	<u>\$ 183,341</u>	<u>\$ (3,946)</u>	<u>\$ 865,935</u>	<u>\$ (280,230)</u>

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

CITY OF SELMA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Redevelopment Successor Agency Private-Purpose Trust Funds	Agency Funds
Assets		
Cash and investments	\$ 941,637	\$126,321
Restricted cash with fiscal agent	360,294	
Due from other agencies	31,000	
Notes receivable	567,291	
Capital assets	<u>321,875</u>	
Total Assets	<u>\$ 2,222,097</u>	<u>\$126,321</u>
Liabilities		
Accounts payable	\$ 750	\$ 37,292
Deposits		33,178
Other	129,728	55,851
Long-term debt	<u>7,190,000</u>	
Total Liabilities	<u>7,320,478</u>	<u>126,321</u>
Net Position (Deficit)		
Held in trust for retirement of obligations of the former Selma Redevelopment Agency	<u>(5,098,381)</u>	
Total Net Position (Deficit)	<u>\$(5,098,381)</u>	<u>\$</u>

CITY OF SELMA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2013

	Redevelopment Successor Agency Private-Purpose Trust Funds
Additions:	
Property taxes	\$ 724,032
Investment earnings	31,510
Miscellaneous	<u>13,927</u>
Total Additions	<u>769,469</u>
Deductions	
Community development	120,655
Interest and fiscal charges	<u>384,005</u>
Total Deductions	<u>504,660</u>
Change in net position	<u>264,809</u>
Net position, beginning of year	<u>(5,363,190)</u>
Net position, end of year	<u><u>\$(5,098,381)</u></u>

**CITY OF SELMA
Notes to Financial Statements
June 30, 2013**

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, 2013
(Continued)

Blended Component Units

Based on the aforementioned oversight criteria, the operations of the 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.

Separate financial statements for the Authority can be obtained from the Finance Director, City of Selma, 1710 Tucker Street, Selma, CA 93662.

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, 2013
(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.

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,

CITY OF SELMA
Notes to Financial Statements
June 30, 2013
(Continued)

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 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.

CITY OF SELMA
Notes to Financial Statements
June 30, 2013
(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, 2013
(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, 2013
(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.

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>
Landscape and Lighting Assessment	\$(2,236)	Retain future excess revenues
T21 Project Grant	\$(109)	Retain future excess revenues
PFA 2001 A Debt Service Fund	\$(3)	Retain future excess revenues
Hotel Debt Service	\$(3,163)	Retain future excess revenues
Development Impact Storm Drain	\$(260,255)	Retain future excess revenues
Long Range Planning	\$(282,520)	Retain future excess revenues
Northeast Plan Project	\$(369,278)	Retain future excess revenues
South Selma Specific Plan Project	\$(78,658)	Retain future excess revenues
Cultural Arts Enterprise Fund	\$(53,879)	Retain future excess revenues
Insurance	\$(158,058)	Retain future excess revenues
Building and Utility	\$(4,089)	Retain future excess revenues
Information Processing	\$(9,174)	Retain future excess revenues

CITY OF SELMA
Notes to Financial Statements
June 30, 2013
(Continued)

NOTE 3 – DEPOSITS AND INVESTMENTS

Cash and investments as of June 30, 2013 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$6,529,651
Restricted cash and investments with fiscal agent	901,471
Fiduciary funds:	
Cash and investments	1,067,958
Restricted cash and investments with fiscal agent	<u>360,294</u>
 Total cash and investments	 <u>\$8,859,374</u>

Cash and investments as of June 30, 2013 consists of the following:

Cash on hand	\$ 700
Deposits with financial institutions	2,607,663
Investments	<u>6,251,011</u>
 Total cash and investments	 <u>\$8,859,374</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	\$50 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	\$250,000
Certificate of Deposits	1 year	None	\$250,000
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

CITY OF SELMA
Notes to Financial Statements
June 30, 2013
(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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	None	\$50 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, 2013
(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	\$4,989,246	\$4,989,246	\$
Held by Bond Trustee:			
Money Market Funds	853,515	853,515	
Investment Agreement	<u>408,250</u>	<u> </u>	<u>408,250</u>
	<u>\$6,251,011</u>	<u>\$5,842,761</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	\$4,989,246	N/A	\$4,989,246	\$
Held by Bond Trustee:				
Money Market Funds	853,515	AAm		853,515
Investment Agreement	<u>408,250</u>	N/A	<u>408,250</u>	<u> </u>
	<u>\$6,251,011</u>		<u>\$5,397,496</u>	<u>\$853,515</u>

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.

CITY OF SELMA
Notes to Financial Statements
June 30, 2013
(Continued)

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, 2013, none of the City's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. In addition, as of June 30, 2013, 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, 2013.

	Receivable	Allowance	Net
Governmental Funds -			
Accounts	\$ 204,685	\$	\$ 204,685
Due from other agencies	<u>997,021</u>	<u> </u>	<u>997,021</u>
	<u>\$1,201,706</u>	<u>\$</u>	<u>\$1,201,706</u>
Proprietary Funds -			
Accounts	<u>\$1,101,781</u>	<u>\$389,941</u>	<u>\$ 711,840</u>
Fiduciary Funds -			
Due from other agencies	\$ 31,000	\$	\$ 31,000
Notes receivable	<u>567,291</u>	<u> </u>	<u>567,291</u>
	<u>\$ 598,291</u>	<u>\$</u>	<u>\$ 598,291</u>

CITY OF SELMA
Notes to Financial Statements
June 30, 2013
(Continued)

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, 2013.

Assessment District No. 1991-2 Improvement Bonds - Highland	\$ 801,190
Assessment District No. 1992-1 Improvement Bonds - Dancer II	167,908
Assessment District No. 1992-1 Supplemental Improvement Bonds – Dancer III	160,588
Assessment District No. 1992-1 Third Supplemental Improvement Bonds - Pea Soup Anderson	1,347,500
Assessment District No. 1993-1 Improvement Bonds - Vineyard	284,483
Assessment District No. 1991-2 Supplemental Bonds - Stillman	178,942
Assessment District No. 1991-2 Supplemental Improvement Bonds - Watermain	132,072
Assessment District No. 1997-1 - Theater	<u>35,000</u>
	<u>\$3,107,683</u>

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 7,790,302	\$	\$	\$ 7,790,302
Construction in progress	<u>3,912,655</u>	<u>2,334,323</u>	<u></u>	<u>6,246,978</u>
Total capital assets not being depreciated	<u>11,702,957</u>	<u>2,334,323</u>	<u></u>	<u>14,037,280</u>
Capital assets being depreciated:				
Roads and other infrastructure	90,871,648		(1,000)	90,870,648
Buildings and improvements	3,899,308			3,899,308
Machinery and equipment	<u>7,835,252</u>	<u>69,110</u>	<u>(761,385)</u>	<u>7,142,977</u>
Total capital assets being depreciated	<u>102,606,208</u>	<u>69,110</u>	<u>(762,385)</u>	<u>101,912,933</u>
Less accumulated depreciation for:				
Roads and other infrastructure	(53,619,835)	(1,783,937)		(55,403,772)
Buildings and improvements	(2,749,293)	(73,770)		(2,823,063)
Machinery and equipment	<u>(4,370,492)</u>	<u>(325,053)</u>	<u>725,387</u>	<u>(3,970,158)</u>
Total accumulated depreciation	<u>(60,739,620)</u>	<u>(2,182,760)</u>	<u>725,387</u>	<u>(62,196,993)</u>
Total capital assets being depreciated, net	<u>41,866,588</u>	<u>(2,113,650)</u>	<u>(36,998)</u>	<u>39,715,940</u>
Governmental activities capital assets, net	<u>\$ 53,569,545</u>	<u>\$ 220,673</u>	<u>\$ (36,998)</u>	<u>\$ 53,753,220</u>
Business-type activities:				
Capital assets being depreciated:				
Buildings and improvements	\$ 264,882	\$	\$	\$ 264,882
Equipment	<u>782,102</u>	<u></u>	<u>(778,587)</u>	<u>3,515</u>
Total capital assets being depreciated	1,046,984		(778,587)	268,397
Less accumulated depreciation for:				
Buildings and improvements	(257,948)	(826)		(258,774)
Equipment	<u>(441,997)</u>	<u>(6,530)</u>	<u>445,012</u>	<u>(3,515)</u>
Total accumulated depreciation	<u>(699,945)</u>	<u>(7,356)</u>	<u>445,012</u>	<u>(262,289)</u>
Total capital assets being depreciated, net	<u>347,039</u>	<u>(7,356)</u>	<u>(333,575)</u>	<u>6,108</u>
Business-type activities capital assets, net	<u>\$ 347,039</u>	<u>\$ (7,356)</u>	<u>\$ (333,575)</u>	<u>\$ 6,108</u>

CITY OF SELMA
Notes to Financial Statements
June 30, 2013
(Continued)

Depreciation was charged to functions as follows:

Governmental activities depreciation:	
General government	\$ 111,895
Public protection:	
Fire	94,182
Police	88,278
Public ways and facilities, including depreciation to general infrastructure assets	<u>1,888,405</u>
Total governmental activities depreciation expense	<u>\$2,182,760</u>
Business-type activities depreciation:	
Pioneer Village	\$ 826
Ambulance service	<u>6,530</u>
Total business-type activities depreciation	<u>\$ 7,356</u>

NOTE 6 – INTERFUND BALANCES AND ACTIVITY

Interfund Payables and Interfund Receivables

Balances due to and due from other funds at June 30, 2013, consisted of the following:

Interfund Payables	Interfund Receivables	Amount	Purpose
Street Maintenance Fund	Developmental Impact Streets & Traffic	\$ 300,000	Short-term loans
Nonmajor Enterprise Funds	General	60,000	Short-term loans
Nonmajor Special Revenue Funds	Capital Projects Funds	142,000	Short-term loans
Nonmajor Special Revenue Funds	General	21,402	Short-term loans
Nonmajor Capital Projects Funds	Nonmajor Capital Projects Funds	612,000	Short-term loans
Nonmajor Capital Projects Fund	Developmental Impact Streets & Traffic	<u>510,000</u>	Short-term loans
		<u>\$1,645,402</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 \$4,454,335 in the fund financial statements as follows:

Transfers Out	Transfers In					Totals
	General	Street Maintenance Fund	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	
General	\$ 944	\$	\$120,072	\$ 6,098	\$250,000	\$ 377,114
Developmental Impact Streets & Traffic					350,000	350,000
Nonmajor Special Revenue Funds	878,618	1,432,503	15,592			2,326,713
Nonmajor Debt Service Funds				526,593		526,593
Nonmajor Capital Projects Funds		2,651				2,651
Proprietary	<u>760,000</u>	<u>40,714</u>		<u>70,550</u>		<u>871,264</u>
	<u>\$1,639,562</u>	<u>\$1,475,868</u>	<u>\$135,664</u>	<u>\$603,241</u>	<u>\$600,000</u>	<u>\$4,454,335</u>

CITY OF SELMA
Notes to Financial Statements
June 30, 2013
(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, 2013:

	Balance at July 1, 2012	Increases	Decreases	Balance at June 30, 2013	Due Within One Year
Governmental activities:					
Revenue bonds – Authority	\$ 4,950,000	\$	\$355,000	\$4,595,000	\$375,000
Revenue bonds – City	4,125,000		60,000	4,065,000	60,000
Notes	62,125		19,595	42,530	21,327
Capital leases	663,624		199,722	463,902	168,873
Compensated absences	561,747		11,238	550,509	
Total governmental activities	<u>\$10,362,496</u>	<u>\$</u>	<u>\$645,555</u>	<u>\$9,716,941</u>	<u>\$625,200</u>
Business-type activities:					
Capital leases	47,449		47,449		
Compensated absences	92,128	590		92,718	
Total business-type activities	<u>\$ 139,577</u>	<u>\$590</u>	<u>\$ 47,449</u>	<u>\$ 92,718</u>	<u>\$</u>

A summary of changes in bonds payable of the Authority for the year ended June 30, 2013 is as follows:

Description	Interest Rate Payable	Amount Original Issue	Outstanding June 30 2012	Issued	Retired	Outstanding June 30 2013
1994	4% - 7.25%	\$11,570,000	\$1,065,000	\$	\$ 55,000	\$1,010,000
1999-A	4.5% - 6.15%	<u>8,165,000</u>	<u>3,885,000</u>		<u>300,000</u>	<u>3,585,000</u>
		<u>\$19,735,000</u>	<u>\$4,950,000</u>	<u>\$</u>	<u>\$355,000</u>	<u>\$4,595,000</u>

A summary of changes in Revenue Bonds of the City for the year ended June 30, 2013 is as follows:

Description	Interest Rate Payable	Amount Original Issue	Outstanding June 30 2012	Issued	Retired	Outstanding June 30 2013
2010-A	Various	<u>\$4,125,000</u>	<u>\$4,125,000</u>	<u>\$</u>	<u>\$60,000</u>	<u>\$4,065,000</u>
		<u>\$4,125,000</u>	<u>\$4,125,000</u>	<u>\$</u>	<u>\$60,000</u>	<u>\$4,065,000</u>

CITY OF SELMA
Notes to Financial Statements
June 30, 2013
(Continued)

1994 Revenue Bonds

On March 15, 1994, the Selma Public Finance Authority issued \$11,570,000 of Revenue Bonds to finance improvements for the City Hall of Selma, refunding of the City of Mount Shasta Assessment District No. 1989-1 Bond and other local agency obligations. The bonds have an interest rate of 7.00% and mature on September 15, 2023. The former Selma Redevelopment Agency is responsible for \$670,000 of the 1994 Revenue Bonds paid by the Selma Public Financing Authority. Bonds outstanding at January 31, 2012 were \$480,000 and were transferred to the Successor Agency on February 1, 2012 due to the dissolution of the Agency. The balance outstanding at June 30, 2013 is \$460,000 and is held in the City's Successor Agency Private-Purpose Trust Fund. Bonds are payable annually at various amounts. The principal balance outstanding at June 30, 2013 is \$1,010,000.

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, 2013 is \$3,585,000.

CITY OF SELMA
Notes to Financial Statements
June 30, 2013
(Continued)

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, 2013 is \$4,065,000.

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, 2013 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Authority Governmental Activities Interest</u>	<u>Total</u>
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	395,000	189,920	584,920
2019-2023	2,340,000	514,441	2,854,441
2024-2026	<u>295,000</u>	<u>11,056</u>	<u>306,056</u>
Totals	<u>\$4,595,000</u>	<u>\$1,724,149</u>	<u>\$6,319,149</u>

CITY OF SELMA
Notes to Financial Statements
June 30, 2013
(Continued)

Year Ending June 30,	Principal	City Governmental Activities Interest	Total
2014	\$ 60,000	\$ 276,362	\$ 336,362
2015	65,000	274,038	339,038
2016	65,000	271,112	336,112
2017	70,000	267,375	337,375
2018	75,000	263,350	338,350
2019-2023	445,000	1,243,575	1,688,575
2024-2028	610,000	1,070,300	1,680,300
2029-2033	860,000	823,900	1,683,900
3034-2038	1,205,000	477,750	1,682,750
2039-2041	<u>610,000</u>	<u>64,750</u>	<u>674,750</u>
Totals	<u>\$4,065,000</u>	<u>\$5,032,512</u>	<u>\$9,097,512</u>

2. Notes Payable

The outstanding notes payable of the City of Selma at June 30, 2013 is as follows:

Wal-Mart	<u>\$42,530</u>
	<u>\$42,530</u>

Debt Service Requirements

Debt service requirements on notes payable of the City at June 30, 2013, are as follows:

Year Ending June 30,	Principal	Governmental Activities Interest	Total
2014	\$21,327	\$2,796	\$24,123
2015	<u>21,203</u>	<u>911</u>	<u>22,114</u>
Totals	<u>\$42,530</u>	<u>\$3,707</u>	<u>\$46,237</u>

CITY OF SELMA
Notes to Financial Statements
June 30, 2013
(Continued)

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2013 as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2014	\$188,658
2015	57,865
2016	57,865
2017	57,865
2018	57,865
2019-2020	<u>115,730</u>
Total Minimum Leases	535,848
Less: Amount representing interest	<u>(71,946)</u>
Principal amount	<u>\$463,902</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 SCJVRMA 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, 2013
(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, 2013
Total Assets	<u>\$82,190,005</u>
Total Liabilities	\$66,304,596
Total Net Assets	<u>15,885,409</u>
Total Liabilities and Net Assets	<u>\$82,190,005</u>
Total Revenues for the Year	\$31,386,818
Total Expenses for the Year	<u>27,784,428</u>
Change in Net Position	<u>\$ 3,602,390</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, 2013
(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 2012-2013 at an actuarially determined rate; the current rate is 24,575% for miscellaneous employees and 21.011% 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 2012-2013, the City's annual pension cost of \$1,452,174 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), and (b) projected salary increases range from 3.55% to 14.45% for miscellaneous employees and safety depending on age, service, and type of employment. Both (a) and (b) included an inflation component of 3.00%. 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, 2013 was 19 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, 2011	\$1,069,549	100%	
June 30, 2012	1,332,003	100%	
June 30, 2013	1,452,174	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, 2013
(Continued)

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Commitments

During the 2012/13 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, 2013.

NOTE 12 – PRIOR PERIOD ADJUSTMENTS

The beginning net position of the governmental activities on the government-wide financial statements has been adjusted as follows:

Net position, beginning of the year as previously reported	\$54,169,536
Adjustment to beginning balance of long-term liabilities	<u>480,000</u>
Net position, beginning of the year-restated	<u><u>\$54,649,536</u></u>

NOTE 13 – 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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 6,427,500	\$ 6,427,500	\$7,024,447	\$ 596,947
Licenses and permits	292,373	292,373	361,151	68,778
Intergovernmental	78,860	78,860	99,800	20,940
Charges for services	286,892	286,892	208,673	(78,219)
Fines	4,000	4,000	43,403	39,403
Franchise fees	710,000	710,000	718,388	8,388
Revenue for use of money and property	2,445	2,445	46,526	44,081
Miscellaneous	<u>48,930</u>	<u>48,930</u>	<u>117,420</u>	<u>68,490</u>
Total revenues	<u>7,851,000</u>	<u>7,851,000</u>	<u>8,619,808</u>	<u>768,808</u>
Expenditures				
General government	1,396,319	1,396,319	1,628,735	(232,416)
Public safety	7,017,682	7,017,682	6,232,327	785,355
Public works	596,498	596,498	492,298	104,200
Community development	320,550	320,550	279,375	41,175
Recreation	270,405	270,405	243,984	26,421
Capital outlay			35,175	(35,175)
Debt service:				
Principal	148,458	148,458	148,458	
Interest and fiscal charges	<u>189,666</u>	<u>189,666</u>	<u>25,307</u>	<u>164,359</u>
Total expenditures	<u>9,939,578</u>	<u>9,939,578</u>	<u>9,085,659</u>	<u>853,919</u>
Excess (deficiency) of revenues over (under) expenditures	(2,088,578)	(2,088,578)	(465,851)	1,622,727
Other financing sources (uses)				
Operating transfers in	2,202,000	2,202,000	1,639,562	(562,438)
Operating transfers out			(377,114)	(377,114)
Total other financing sources (uses)	<u>2,202,000</u>	<u>2,202,000</u>	<u>1,262,448</u>	<u>(939,552)</u>
Change in fund balance	113,422	113,422	796,597	683,175
Fund balance, beginning of year	<u>44,831</u>	<u>44,831</u>	<u>44,831</u>	
Fund balance, end of year	<u>\$ 158,253</u>	<u>\$ 158,253</u>	<u>\$ 841,428</u>	<u>\$ 683,175</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, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Licenses and permits	\$ 1,600	\$ 1,600	\$ 13,885	\$ 12,285
Charges for services	120,000	120,000	162,342	42,342
Miscellaneous	<u>510</u>	<u>510</u>	<u>17,060</u>	<u>16,550</u>
Total revenues	<u>122,110</u>	<u>122,110</u>	<u>193,287</u>	<u>71,177</u>
Expenditures				
Public Works	1,057,683	1,057,683	866,675	191,008
Debt service:				
Principal	60,000	60,000	130,859	(70,859)
Interest and fiscal charges	<u>221,005</u>	<u>221,005</u>	<u>291,328</u>	<u>(70,323)</u>
Total expenditures	<u>1,338,688</u>	<u>1,338,688</u>	<u>1,288,862</u>	<u>49,826</u>
Excess (deficiency) of revenues over (under) expenditures	(1,216,578)	(1,216,578)	(1,095,575)	121,003
Other financing sources (uses)				
Operating transfers in	<u>1,095,500</u>	<u>1,095,500</u>	<u>1,475,868</u>	<u>380,368</u>
Total other financing sources (uses)	<u>1,095,500</u>	<u>1,095,500</u>	<u>1,475,868</u>	<u>380,368</u>
Net change in fund balance	(121,078)	(121,078)	380,293	501,371
Fund balance, beginning of year	<u>(193,859)</u>	<u>(193,859)</u>	<u>(193,859)</u>	<u>(193,859)</u>
Fund balance, end of year	<u>\$ (314,937)</u>	<u>\$ (314,937)</u>	<u>\$ 186,434</u>	<u>\$ 307,512</u>

CITY OF SELMA
Required Supplementary Information
Schedule of Funding Progress PERS Information
For the Year Ended June 30, 2013

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)
6/30/10						
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%
6/30/12						
Miscellaneous	2,178,799,790	2,680,181,441	501,381,651	81.3 %	417,600,034	120.1%
Safety	407,411,936	475,963,729	68,551,793	85.6%	59,986,230	114.3%

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, 2013

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Cash and investments	\$1,437,205	\$ 653,492	\$2,779,385	\$4,870,082
Cash with fiscal agent		561,909		561,909
Accounts receivable			2,015	2,015
Interfund receivables			754,000	754,000
Due from other agencies	260,284		65,262	325,546
Deposits			450,000	450,000
Total assets	<u>\$1,697,489</u>	<u>\$1,215,401</u>	<u>\$4,050,662</u>	<u>\$6,963,552</u>
Liabilities				
Accounts payable	\$ 33,455	\$ 3	\$ 180,315	\$ 213,773
Accrued wages/benefits	29,624			29,624
Interfund payables	163,402		1,122,000	1,285,402
Other liabilities	1,419	3,163		4,582
Total liabilities	<u>227,900</u>	<u>3,166</u>	<u>1,302,315</u>	<u>1,533,381</u>
Fund balance				
Restricted for:				
Streets and roads	1,314,177		143,392	1,457,569
Public safety	71,020			71,020
Community development	61,430			61,430
Debt service		1,215,401		1,215,401
Capital projects			2,530,351	2,530,351
Committed for:				
Community development	605			605
Recreation	2,700			2,700
Capital projects			855,825	855,825
Assigned for:				
Community development	22,002			22,002
Equipment replacement			209,490	209,490
Unassigned	(2,345)	(3,166)	(990,711)	(996,222)
Total fund balance	<u>1,469,589</u>	<u>1,212,235</u>	<u>2,748,347</u>	<u>5,430,171</u>
Total liabilities and fund balance	<u>\$1,697,489</u>	<u>\$1,215,401</u>	<u>\$4,050,662</u>	<u>\$6,963,552</u>

CITY OF SELMA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance –
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ 1,854,688	\$	\$	\$ 1,854,688
Intergovernmental	2,568,237			2,568,237
Charges for services	10,709		116,954	127,663
Fines	30,642			30,642
Revenue for use of money and property	1,686	37,292	34,767	73,745
Assessment payments		491,568	134,114	625,682
Miscellaneous	67,089	12,810	565,727	645,626
Total revenues	<u>4,533,051</u>	<u>541,670</u>	<u>851,562</u>	<u>5,926,283</u>
Expenditures				
General government	35,979	4,609		40,588
Public safety	741,827			741,827
Public works	398,174			398,174
Community development	63,604		1,614,266	1,677,870
Capital outlay	1,214,619			1,214,619
Debt service:				
Principal		335,000		335,000
Interest and fiscal charges		265,668		265,668
Total expenditures	<u>2,454,203</u>	<u>605,277</u>	<u>1,614,266</u>	<u>4,673,746</u>
Excess (deficiency) of revenues over (under) expenditures	2,078,848	(63,607)	(762,704)	1,252,537
Other financing sources (uses)				
Operating transfers in	135,664	603,241	600,000	1,338,905
Operating transfers out	(2,326,713)	(526,593)	(2,651)	(2,855,957)
Total other financing sources (uses)	<u>(2,191,049)</u>	<u>76,648</u>	<u>597,349</u>	<u>(1,517,052)</u>
Net change in fund balance	(112,201)	13,041	(165,355)	(264,515)
Fund balance, beginning of year	<u>1,581,790</u>	<u>1,199,194</u>	<u>2,913,702</u>	<u>5,694,686</u>
Fund balance, end of year	<u>\$ 1,469,589</u>	<u>\$ 1,212,235</u>	<u>\$ 2,748,347</u>	<u>\$ 5,430,171</u>

CITY OF SELMA
Combining Balance Sheet –
Nonmajor Special Revenue Funds
June 30, 2013

	Traffic Safety	Redevelopment Administration	Public Safety	Traffic Congestion Relief Grant	AB 1913 Grant	Street Measure "C"	Landscape and Lighting Assessment
Assets							
Cash and investments	\$	\$23,782	\$432	\$471,100	\$48,795	\$741,024	\$ 5,558
Due from other agencies	<u>14,150</u>	<u>23,782</u>	<u>432</u>	<u>471,100</u>	<u>48,795</u>	<u>40,938</u>	<u>5,558</u>
Total assets	<u>14,150</u>					<u>781,962</u>	
Liabilities							
Accounts payable							900
Accrued wages/benefits		1,780			1,830		4,894
Interfund payables							2,000
Other liabilities							
Total liabilities		<u>1,780</u>			<u>1,830</u>		<u>7,794</u>
Fund balance							
Restricted for:							
Streets and roads	14,150			471,100	46,965	781,962	
Public safety			432				
Community development							
Committed for:							
Community development							
Recreation							
Assigned for:		22,002					
Community development							
Unassigned	<u>14,150</u>	<u>22,002</u>	<u>432</u>	<u>471,100</u>	<u>46,965</u>	<u>781,962</u>	<u>(2,236)</u>
Total fund balance	<u>14,150</u>	<u>\$23,782</u>	<u>\$432</u>	<u>\$471,100</u>	<u>\$48,795</u>	<u>\$781,962</u>	<u>\$ 5,558</u>
Total liabilities and fund balance							

CITY OF SELMA
Combining Balance Sheet –
Nonmajor Special Revenue Funds
June 30, 2013

	Abandoned Vehicle Abatement	CDBG Grant	Recycling Grant	Safe Routes to Schools Grants	T-21 Project Grant	FEMA Grant
Assets						
Cash and investments	\$30,476	\$	\$31,458	\$ 2,053	\$	\$20,000
Due from other agencies	<u>4,020</u>	<u>26,293</u>	<u>31,458</u>	<u>7,985</u>		<u>479</u>
Total assets	<u>34,496</u>	<u>26,293</u>		<u>10,038</u>		<u>20,479</u>
Liabilities						
Accounts payable			150	2,639		
Accrued wages/benefits						
Interfund payables		26,293		5,000	109	20,000
Other liabilities		<u>26,293</u>	<u>150</u>	<u>7,639</u>	<u>109</u>	<u>20,000</u>
Total liabilities						
Fund balance						
Restricted for:						
Streets and roads						479
Public safety	34,496		31,308	2,399		
Community development						
Committed for:						
Community development						
Recreation						
Assigned for:						
Community development					(109)	
Unassigned	<u>34,496</u>		<u>31,308</u>	<u>2,399</u>	<u>(109)</u>	<u>479</u>
Total fund balance	<u>34,496</u>	<u>\$26,293</u>	<u>\$31,458</u>	<u>\$10,038</u>	<u>\$</u>	<u>\$20,479</u>
Total liabilities and fund balance						

CITY OF SELMA
Combining Balance Sheet --
Nonmajor Special Revenue Funds
June 30, 2013

	Traffic Grant	SAFER Fire Grant	Small Business Support Center	DOJ Brynes Grant	Grip Grant	Foreclosed Homes Project
Assets						
Cash and investments	\$1,558	\$ 13,469	\$605	\$742	\$ 1,644	\$24,350
Due from other agencies	<u>3,442</u>	<u>96,914</u>			<u>14,128</u>	
Total assets	<u>5,000</u>	<u>110,383</u>	<u>605</u>	<u>742</u>	<u>15,772</u>	<u>24,350</u>
Liabilities						
Accounts payable		8,791				
Accrued wages/benefits		95,000			10,000	
Interfund payables	5,000					
Other liabilities	<u>5,000</u>	<u>103,791</u>			<u>10,000</u>	
Total liabilities						
Fund balance						
Restricted for:						
Streets and roads						
Public safety		6,592		742	5,772	24,350
Community development						
Committed for:						
Community development			605			
Recreation						
Assigned for:						
Community development						
Unassigned		<u>6,592</u>	<u>605</u>	<u>742</u>	<u>5,772</u>	<u>24,350</u>
Total fund balance	<u>5,000</u>	<u>110,383</u>	<u>605</u>	<u>742</u>	<u>15,772</u>	<u>24,350</u>
Total liabilities and fund balance						

CITY OF SELMA
Combining Balance Sheet –
Nonmajor Special Revenue Funds
June 30, 2013

	Sports Hall of Fame	State Asset Forfeiture Fund	Federal Stimulus Funds	Federal Grants Funds	Regional Foundation Grant	Citizens Tax Initiative	Total Nonmajor Special Revenue Funds
Assets							
Cash and investments	\$2,700	\$930	\$	\$1,419	\$2,781	\$12,329	\$1,437,205
Due from other agencies	<u>2,700</u>	<u>930</u>	<u>3,485</u>	<u>1,419</u>	<u>2,781</u>	<u>48,450</u>	<u>260,284</u>
Total assets						<u>60,779</u>	<u>1,697,489</u>
Liabilities							
Accounts payable			3,485		2,781	23,500	33,455
Accrued wages/benefits						12,329	29,624
Interfund payables							163,402
Other liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,419</u>	<u>—</u>	<u>—</u>	<u>1,419</u>
Total liabilities			<u>3,485</u>	<u>1,419</u>	<u>2,781</u>	<u>35,829</u>	<u>227,900</u>
Fund balance							
Restricted for:							
Streets and roads							1,314,177
Public safety		930				24,950	71,020
Community development							61,430
Committed for:							605
Community development							2,700
Recreation	2,700						22,002
Assigned for:							(2,345)
Community development							1,469,589
Unassigned	<u>2,700</u>	<u>930</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>24,950</u>	<u>1,469,589</u>
Total fund balance							
	<u>\$2,700</u>	<u>\$930</u>	<u>\$3,485</u>	<u>\$1,419</u>	<u>\$2,781</u>	<u>\$60,779</u>	<u>\$1,697,489</u>
Total liabilities and fund balance							

CITY OF SELMA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance --
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2013

	Traffic Safety	Redevelopment Administration	Public Safety	Housing Fund	Traffic Congestion Relief Grant	AB 1913 Grant	Street Gas Tax	Street LTF
Revenues								
Taxes	\$	\$	\$		\$	\$	\$	\$
Intergovernmental						100,025	341,874	279,539
Charges for services	14,150							
Fines					684		23	77
Revenue for use of money and property			432					
Miscellaneous		65,766	432					
Total revenues	<u>14,150</u>	<u>65,766</u>	<u>432</u>		<u>684</u>	<u>100,025</u>	<u>341,897</u>	<u>279,616</u>
Expenditures								
General government				1,301		69,011		
Public safety								
Public works		57,796						
Community development						17,012		
Capital outlay		<u>57,796</u>		<u>1,301</u>		<u>86,023</u>		
Total expenditures								
Excess (deficiency) of revenues over (under) expenditures	14,150	7,970	432	(1,301)	684	14,002	341,897	279,616
Other financing sources (uses)								
Operating transfers in	(5,475)		(2,495)				(341,897)	(509,884)
Operating transfers out	<u>(5,475)</u>		<u>(2,495)</u>				<u>(341,897)</u>	<u>(509,884)</u>
Total other financing sources (uses)								
Net change in fund balance	8,675	7,970	(2,063)	(1,301)	684	14,002		(230,268)
Fund balance, beginning 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>230,268</u>
Fund balance, end of year	<u>\$14,150</u>	<u>\$22,002</u>	<u>\$ 432</u>	<u>\$</u>	<u>\$471,100</u>	<u>\$ 46,965</u>	<u>\$</u>	<u>\$</u>

CITY OF SELMA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance --
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2013

	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
Revenues									
Taxes	\$ 523,788	\$	\$ 206,000	\$ 165,331	\$	\$ 263,802	\$	\$ 9,542	\$
Intergovernmental									
Charges for services					16,492				
Fines	882		20						
Revenue for use of money and property									
Miscellaneous	<u>524,670</u>		<u>206,020</u>	<u>165,331</u>	<u>16,492</u>	<u>263,802</u>		<u>9,542</u>	
Total revenues									
Expenditures									
General government					6,564		8,424	7,186	
Public safety			208,875	189,299					
Public works									
Community development						263,813			
Capital outlay		<u>208,875</u>		<u>189,299</u>	<u>6,564</u>	<u>263,813</u>	<u>8,424</u>	<u>7,186</u>	
Total expenditures									
Excess (deficiency) of revenues over (under) expenditures	524,670	(208,875)	206,020	(23,968)	9,928	(11)	(8,424)	2,356	
Other financing sources (uses)									
Operating transfers in				75,313					731
Operating transfers out	<u>(296,107)</u>	<u>(20,729)</u>	<u>(206,020)</u>	<u>(75,313)</u>					<u>(944)</u>
Total other financing sources (uses)	<u>(296,107)</u>	<u>(20,729)</u>	<u>(206,020)</u>	<u>(75,313)</u>					<u>(213)</u>
Net change in fund balance	228,563	(229,604)		51,345	9,928	(11)	(8,424)	2,356	(213)
Fund balance, beginning of year	<u>553,399</u>	<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>
Fund balance, end of year	<u>\$ 781,962</u>	<u>\$</u>	<u>\$</u>	<u>\$ (2,236)</u>	<u>\$ 34,496</u>	<u>\$</u>	<u>\$ 31,308</u>	<u>\$ 2,399</u>	<u>\$</u>

CITY OF SELMA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance --
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2013

	T-21 Project Grant	FEMA Grant	Traffic Grant	SAFER Fire Grant	Homeland Security Fire Grant	Small Business Support Center	DOJ Byrnes Grant	Grip Grant	ADA Calmet Grant
Revenues									
Taxes	\$	\$ 479	\$ 12,066	\$ 160,487	\$	\$	\$	\$ 5,772	\$
Intergovernmental									
Charges for services									
Fines									
Revenue for use of money and property									
Miscellaneous		<u>479</u>	<u>12,066</u>	<u>160,487</u>				<u>5,772</u>	
Total revenues									
Expenditures									
General government									
Public safety			12,066	153,895	560	95			
Public works									
Community development									
Capital outlay			<u>12,066</u>	<u>153,895</u>	<u>560</u>	<u>95</u>			
Total expenditures									
Excess (deficiency) of revenues over (under) expenditures		479		6,592	(560)	(95)		5,772	
Other financing sources (uses)									
Operating transfers in		15,985	13,503		(15,592)			774	155
Operating transfers out		<u>15,985</u>	<u>13,503</u>		<u>(15,592)</u>			<u>774</u>	<u>155</u>
Total other financing sources (uses)									
Net change in fund balance		16,464	13,503	6,592	(16,152)	(95)		6,546	155
Fund balance, beginning of year	(109)	<u>(15,985)</u>	<u>(13,503)</u>		<u>16,152</u>	<u>700</u>	<u>742</u>	<u>(774)</u>	<u>(155)</u>
Fund balance, end of year	<u>\$(109)</u>	<u>\$ 479</u>	<u>\$</u>	<u>\$ 6,592</u>	<u>\$</u>	<u>\$605</u>	<u>\$742</u>	<u>\$5,772</u>	<u>\$</u>

CITY OF SELMA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance –
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2013

	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
Revenues									
Taxes	\$	\$	\$	\$	\$	\$	\$	\$1,347,483	\$ 1,854,688
Intergovernmental				929,015	77,722				2,568,237
Charges for services	4,000	6,709							10,709
Fines									30,642
Revenue for use of money and property									1,686
Miscellaneous		660				231			67,089
Total revenues	<u>4,000</u>	<u>7,369</u>		<u>929,015</u>	<u>77,722</u>	<u>231</u>		<u>1,347,483</u>	<u>4,533,051</u>
Expenditures									
General government	19,595				79,893	8,644	10,305	400,267	35,979
Public safety									741,827
Public works									398,174
Community development		5,808							63,604
Capital outlay		<u>5,808</u>		<u>933,794</u>	<u>79,893</u>	<u>8,644</u>	<u>10,305</u>	<u>400,267</u>	<u>1,214,619</u>
Total expenditures	<u>19,595</u>			<u>933,794</u>					<u>2,454,203</u>
Excess (deficiency) of revenues over (under) expenditures	(15,595)	1,561		(4,779)	(2,171)	(8,413)	(10,305)	947,216	2,078,848
Other financing sources (uses)									
Operating transfers in					29,203			(927,570)	135,664
Operating transfers out					<u>29,203</u>			<u>(927,570)</u>	<u>(2,326,713)</u>
Total other financing sources (uses)									<u>(2,191,049)</u>
Net change in fund balance	(15,595)	1,561		(4,779)	27,032	(8,413)	(10,305)	19,646	(112,201)
Fund balance, beginning 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>
Fund balance, end of year	<u>\$ 24,350</u>	<u>\$2,700</u>	<u>\$930</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 24,950</u>	<u>\$ 1,469,589</u>

CITY OF SELMA
Combining Balance Sheet –
Nonmajor Debt Service Funds
June 30, 2013

	1994 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
Assets							
Cash and investments	\$	\$	\$136,807	\$ 72,062	\$54,765	\$28,208	\$76,682
Cash with fiscal agent	<u>153,659</u>		<u>136,807</u>	<u>408,250</u>			<u>76,682</u>
Total assets	<u>153,659</u>			<u>480,312</u>	<u>54,765</u>	<u>28,208</u>	<u>76,682</u>
Liabilities							
Accounts payable		3,163					
Other liabilities		<u>3,163</u>					
Total liabilities							
Fund balance							
Restricted for:							
Debt service	153,659	(3,163)	136,807	480,312	54,765	28,208	76,682
Unassigned	<u>153,659</u>	<u>(3,163)</u>	<u>136,807</u>	<u>480,312</u>	<u>54,765</u>	<u>28,208</u>	<u>76,682</u>
Total fund balance				<u>\$480,312</u>	<u>\$54,765</u>	<u>\$28,208</u>	<u>\$76,682</u>
Total liabilities and fund balance	<u>\$153,659</u>	<u>\$</u>	<u>\$136,807</u>				

CITY OF SELMA
Combining Balance Sheet --
Nonmajor Debt Service Funds
June 30, 2013

	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	Total Nonmajor Debt Service Funds
Assets						
Cash and investments	\$127,437	\$59,424	\$59,966	\$	\$38,141	\$ 653,492
Cash with fiscal agent	<u>127,437</u>	<u>59,424</u>	<u>59,966</u>	<u>—</u>	<u>38,141</u>	<u>561,909</u>
Total assets						<u>1,215,401</u>
Liabilities						
Accounts payable				3		3
Other liabilities				<u>3</u>		<u>3,163</u>
Total liabilities						<u>3,166</u>
Fund balance						
Restricted for:						
Debt service	127,437	59,424	59,966		38,141	1,215,401
Unassigned	<u>127,437</u>	<u>59,424</u>	<u>59,966</u>	<u>(3)</u>	<u>38,141</u>	<u>(3,166)</u>
Total fund balance						<u>1,212,235</u>
Total liabilities and fund balance	<u>\$127,437</u>	<u>\$59,424</u>	<u>\$59,966</u>	<u>\$</u>	<u>\$38,141</u>	<u>\$1,215,401</u>

CITY OF SELMA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance --
Nonmajor Debt Service Funds
For the Year Ended June 30, 2013

	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
Revenues						
Revenue for use of money and property	\$	\$ 59	\$	\$	\$ 12,411	\$ 24,822
Miscellaneous		12,268			120,541	
Assessment Payments		<u>12,327</u>			<u>132,952</u>	<u>24,822</u>
Total revenues						
Expenditures						
General government	11		4	3,163	57	
Debt Service:						
Principal		35,000				300,000
Interest and fiscal charges		<u>35,550</u>				<u>230,118</u>
Total expenditures	<u>11</u>	<u>70,550</u>	<u>4</u>	<u>3,163</u>	<u>57</u>	<u>530,118</u>
Excess (deficiency) of revenues over (under) expenditures	(11)	(58,223)	(4)	(3,163)	132,895	(505,296)
Other financing sources (uses)						
Operating transfers in		70,550			(125,339)	526,591
Operating transfers out		<u>70,550</u>			<u>(125,339)</u>	<u>526,591</u>
Total other financing sources (uses)						
Net change in fund balance	(11)	12,327	(4)	(3,163)	7,556	21,295
Fund balance, beginning of year	<u>11</u>	<u>141,332</u>	<u>4</u>		<u>129,251</u>	<u>459,017</u>
Fund balance, end of year	<u>\$</u>	<u>\$153,659</u>	<u>\$</u>	<u>\$(3,163)</u>	<u>\$ 136,807</u>	<u>\$ 480,312</u>

CITY OF SELMA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance --
Nonmajor Debt Service Funds
For the Year Ended June 30, 2013

	Assessment 92-1 Dancer II Debt Service	Assessment 92-1 Dancer III Debt Service	Assessment 91-2 Watermain Debt Service	Assessment 91-2 Stillman Debt Service	Assessment 91-2 Peasoup Debt Service	Assessment 93-1 Briarwood/ Vineyard Debt Service
Revenues						
Revenue for use of money and property	\$	\$	\$	\$	\$	\$
Miscellaneous	25,472	24,717	27,223	27,710	186,921	47,099
Assessment Payments	<u>25,472</u>	<u>24,717</u>	<u>27,223</u>	<u>27,710</u>	<u>186,921</u>	<u>47,099</u>
Total revenues						
Expenditures						
General government	117	72	32	10	5	50
Debt Service:						
Principal	<u>117</u>	<u>72</u>	<u>32</u>	<u>10</u>	<u>5</u>	<u>50</u>
Interest and fiscal charges						
Total expenditures						
Excess (deficiency) of revenues over (under) expenditures	25,355	24,645	27,191	27,700	186,916	47,049
Other financing sources (uses)						
Operating transfers in	(29,734)	(28,740)	(25,697)	6,100	(200,830)	(53,090)
Operating transfers out	<u>(29,734)</u>	<u>(28,740)</u>	<u>(25,697)</u>	<u>(22,067)</u>	<u>(200,830)</u>	<u>(53,090)</u>
Total other financing sources (uses)						
Net change in fund balance	(4,379)	(4,095)	1,494	5,633	(13,914)	(6,041)
Fund balance, beginning of year	<u>59,144</u>	<u>32,303</u>	<u>75,188</u>	<u>(5,633)</u>	<u>141,351</u>	<u>65,465</u>
Fund balance, end of year	<u>\$ 54,765</u>	<u>\$ 28,208</u>	<u>\$ 76,682</u>	<u>\$</u>	<u>\$ 127,437</u>	<u>\$ 59,424</u>

CITY OF SELMA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance –
Nonmajor Debt Service Funds
For the Year Ended June 30, 2013

	Assessment Theater Debt Service	PFA 2001 A Debt Service	PFA 2004 A-B Debt Service	PFA 2010 Debt Service	Total Nonmajor Debt Service Funds
Revenues					
Revenue for use of money and property	\$	\$	\$	\$	\$
Miscellaneous				542	37,292
Assessment Payments	<u>31,885</u>	—	—	—	12,810
Total revenues	<u>31,885</u>	—	—	<u>542</u>	<u>491,568</u>
					<u>541,670</u>
Expenditures					
General government	4			1,084	4,609
Debt Service:					
Principal					335,000
Interest and fiscal charges					<u>265,668</u>
Total expenditures	<u>4</u>	—	—	<u>1,084</u>	<u>605,277</u>
Excess (deficiency) of revenues over (under) expenditures	31,881			(542)	(63,607)
Other financing sources (uses)					
Operating transfers in					603,241
Operating transfers out	<u>(34,996)</u>	—	—	—	<u>(526,593)</u>
Total other financing sources (uses)	<u>(34,996)</u>	—	—	—	<u>76,648</u>
Net change in fund balance	(3,115)			(542)	13,041
Fund balance, beginning of year	<u>63,081</u>	(3)	38,141	542	<u>1,199,194</u>
Fund balance, end of year	<u>\$ 59,966</u>	<u>\$ (3)</u>	<u>\$ 38,141</u>	<u>\$</u>	<u>\$ 1,212,235</u>

CITY OF SELMA
Combining Balance Sheet –
Nonmajor Capital Projects Funds
June 30, 2013

	Reserve	Equipment Replacement	Development Impact Police Facility	Development Impact Fire Facility	Developmental Impact City Facilities	Developmental Impact Storm Drain	Developmental Impact Sewer
Assets							
Cash and investments	\$693	\$208,797	\$147,327	\$151,466	\$130,254	\$ 9,745	\$827,299
Accounts receivable			10,000	95,000	549,000		100,000
Interfund receivables							
Due from other governments							
Deposits							
Total assets	<u>693</u>	<u>208,797</u>	<u>157,327</u>	<u>246,466</u>	<u>679,254</u>	<u>9,745</u>	<u>927,299</u>
Liabilities							
Accounts payable							
Interfund payables						270,000	
Total liabilities						<u>270,000</u>	
Fund balance							
Restricted for:							
Streets and roads			157,327	246,466	679,254		927,299
Capital projects							
Committed for:							
Capital projects							
Assigned for:							
Equipment replacement	693	208,797					
Unassigned						(260,255)	
Total fund balance	<u>693</u>	<u>208,797</u>	<u>157,327</u>	<u>246,466</u>	<u>679,254</u>	<u>(260,255)</u>	<u>927,299</u>
Total liabilities and fund balance	<u>\$693</u>	<u>\$208,797</u>	<u>\$157,327</u>	<u>\$246,466</u>	<u>\$679,254</u>	<u>\$ 9,745</u>	<u>\$927,299</u>

CITY OF SELMA
Combining Balance Sheet –
Nonmajor Capital Projects Funds
June 30, 2013

	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
Assets							
Cash and investments	\$ 9,328	\$ 7,480	\$60,677	\$70	\$19,764	\$ 80,722	\$ 11,342
Accounts receivable							
Interfund receivables							
Due from other governments							
Deposits	<u>450,000</u>	<u>7,480</u>	<u>60,677</u>	<u>70</u>	<u>19,764</u>	<u>80,722</u>	<u>11,342</u>
Total assets	<u>459,328</u>						
Liabilities							
Accounts payable							
Interfund payables		<u>290,000</u>				<u>450,000</u>	<u>90,000</u>
Total liabilities		<u>290,000</u>				<u>450,000</u>	<u>90,000</u>
Fund balance							
Restricted for:							
Streets and roads							
Capital projects	459,328		60,677				
Committed for:							
Capital projects				70	19,764		
Assigned for:							
Equipment replacement		<u>(282,520)</u>					
Unassigned	<u>459,328</u>	<u>(282,520)</u>	<u>60,677</u>	<u>70</u>	<u>19,764</u>	<u>(369,278)</u>	<u>(78,658)</u>
Total fund balance	<u>459,328</u>	<u>\$ 7,480</u>	<u>\$60,677</u>	<u>\$70</u>	<u>\$19,764</u>	<u>\$ 80,722</u>	<u>\$ 11,342</u>
Total liabilities and fund balance							

CITY OF SELMA
Combining Balance Sheet –
Nonmajor Capital Projects Funds
June 30, 2013

	Amberwood Project	Tutelian Project	Selma Crossing Project	Brandywine Project	WalMart EIR	Caltrans Mitigation Fund	Cultural Arts Construction Fund	Total Nonmajor Capital Projects Funds
Assets								
Cash and investments	\$26,604	\$ 358	\$19,627	\$1,445	\$129,401	\$143,392	\$793,594	\$2,779,385
Accounts receivable		1,642	373					2,015
Interfund receivables								754,000
Due from other governments								65,262
Deposits								450,000
Total assets	<u>\$26,604</u>	<u>\$2,000</u>	<u>\$20,000</u>	<u>\$1,445</u>	<u>\$129,401</u>	<u>\$143,392</u>	<u>\$858,856</u>	<u>\$4,050,662</u>
Liabilities								
Accounts payable								180,315
Interfund payables		2,000	20,000					1,122,000
Total liabilities		<u>2,000</u>	<u>20,000</u>				<u>180,315</u>	<u>1,302,315</u>
Fund balance								
Restricted for:								
Streets and roads						143,392		143,392
Capital projects								2,530,351
Committed for:								
Capital projects	26,604			1,445	129,401		678,541	855,825
Assigned for:								
Equipment replacement								209,490
Unassigned								(990,711)
Total fund balance	<u>26,604</u>			<u>1,445</u>	<u>129,401</u>	<u>143,392</u>	<u>678,541</u>	<u>2,748,347</u>
Total liabilities and fund balance	<u>\$26,604</u>	<u>\$2,000</u>	<u>\$20,000</u>	<u>\$1,445</u>	<u>\$129,401</u>	<u>\$143,392</u>	<u>\$858,856</u>	<u>\$4,050,662</u>

CITY OF SELMA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance --
Nonmajor Capital Projects Funds
For the Year Ended June 30, 2013

	Reserve	Equipment Replacement	Development Impact Police Facility	Development Impact Fire Facility	Developmental Impact City Facilities	Developmental Impact Storm Drain	Developmental Impact Sewer	Developmental Impact Parks and Recreation
Revenues								
Charges for services		\$ 34,767	\$ 18,237	\$ 15,442	\$ 34,361	\$ 17,168	\$ 22,363	\$
Revenue for use of money and property								
Assessment payments		20,000						
Miscellaneous		<u>54,767</u>	<u>18,237</u>	<u>15,442</u>	<u>34,361</u>	<u>17,168</u>	<u>22,363</u>	
Total revenues								
Expenditures								
Community development								
Total expenditures								
Excess (deficiency) of revenues over (under) expenditures		54,767	18,237	15,442	34,361	17,168	22,363	
Other financing sources (uses)								
Operating transfers in								(2,651)
Operating transfers out								(2,651)
Total other financing sources (uses)								
Net change in fund balance		54,767	18,237	15,442	34,361	17,168	22,363	(2,651)
Fund balance, beginning of year	693	<u>154,030</u>	<u>139,090</u>	<u>231,024</u>	<u>644,893</u>	<u>(277,423)</u>	<u>904,936</u>	<u>461,979</u>
Fund balance, end of year	<u>\$693</u>	<u>\$208,797</u>	<u>\$157,327</u>	<u>\$246,466</u>	<u>\$679,254</u>	<u>\$(260,255)</u>	<u>\$927,299</u>	<u>\$459,328</u>

CITY OF SELMA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance --
Nonmajor Capital Projects Funds
For the Year Ended June 30, 2013

	Long Range Planning Fee	Development Impact Public Use Facilities	Construction 97-2 Theater	City Hall Construction	Northeast Plan Project	South Selma Specific Plan Project	Amberwood Project
Revenues							
Charges for services	\$ 9,383	\$	\$	\$	\$	\$	\$
Revenue for use of money and property							
Assessment payments							
Miscellaneous	<u>9,383</u>						
Total revenues							
Expenditures							
Community development						163,068	
Total expenditures						<u>163,068</u>	
Excess (deficiency) of revenues over (under) expenditures	9,383					(163,068)	
Other financing sources (uses)							
Operating transfers out							
Operating transfers in							
Total other financing sources (uses)							
Net change in fund balance	9,383					(163,068)	
Fund balance, beginning of year	<u>(291,903)</u>	<u>60,677</u>	<u>70</u>	<u>19,764</u>	<u>(369,278)</u>	<u>84,410</u>	<u>26,604</u>
Fund balance, end of year	<u>\$(282,520)</u>	<u>\$60,677</u>	<u>\$70</u>	<u>\$19,764</u>	<u>\$(369,278)</u>	<u>\$ (78,658)</u>	<u>\$26,604</u>

CITY OF SELMA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance --
Nonmajor Capital Projects Funds
For the Year Ended June 30, 2013

	Tutelian Project	Selma Crossing Project	Brandywine Project	WalMart EIR	Caltrans Mitigation Fund	Cultural Arts Construction Fund	Total Nonmajor Capital Projects Funds
Revenues							
Charges for services	\$	\$	\$	\$	\$	\$	\$ 116,954
Revenue for use of money and property							34,767
Assessment payments	1,642	134,114					134,114
Miscellaneous	<u>1,642</u>	<u>363</u>				<u>543,722</u>	<u>565,727</u>
Total revenues		<u>134,477</u>				<u>543,722</u>	<u>851,562</u>
Expenditures							
Community development		187				<u>1,451,011</u>	<u>1,614,266</u>
Total expenditures		<u>187</u>				<u>1,451,011</u>	<u>1,614,266</u>
Excess (deficiency) of revenues over (under) expenditures	1,642	134,290				(907,289)	(762,704)
Other financing sources (uses)							
Operating transfers in						600,000	600,000
Operating transfers out						<u>(2,651)</u>	<u>(2,651)</u>
Total other financing sources (uses)						<u>600,000</u>	<u>597,349</u>
Net change in fund balance	1,642	134,290				(307,289)	(165,355)
Fund balance, beginning of year	<u>(1,642)</u>	<u>(134,290)</u>	1,445	<u>129,401</u>	<u>143,392</u>	<u>985,830</u>	<u>2,913,702</u>
Fund balance, end of year	<u>\$</u>	<u>\$</u>	<u>\$1,445</u>	<u>\$129,401</u>	<u>\$143,392</u>	<u>\$ 678,541</u>	<u>\$2,748,347</u>

CITY OF SELMA
Combining Statement of Net Position
Nonmajor Enterprise Funds
June 30, 2013

	Pioneer Village	Transit Service	Cultural Arts	Total Nonmajor Enterprise Funds
Assets				
Current assets				
Cash and investments	\$ 196,011	\$	\$ 6,026	\$ 202,037
Accounts receivable	<u> </u>	<u> </u>	<u>275</u>	<u>275</u>
Total current assets	<u>196,011</u>	<u> </u>	<u>6,301</u>	<u>202,312</u>
Noncurrent assets:				
Capital assets:				
Machinery and equipment	264,882		3,515	268,397
Less: accumulated depreciation	<u>(258,774)</u>	<u> </u>	<u>(3,515)</u>	<u>(262,289)</u>
Total noncurrent assets	<u>6,108</u>	<u> </u>	<u> </u>	<u>6,108</u>
Total assets	<u>\$ 202,119</u>	<u>\$</u>	<u>\$ 6,301</u>	<u>\$ 208,420</u>
Liabilities				
Current liabilities:				
Other liabilities	\$ 115	\$	\$ 180	\$ 295
Interfund payables	<u> </u>	<u> </u>	<u>60,000</u>	<u>60,000</u>
Total liabilities	<u>115</u>	<u> </u>	<u>60,180</u>	<u>60,295</u>
Net position				
Invested in capital assets, net of related debt	6,108			6,108
Unrestricted	<u>195,896</u>	<u> </u>	<u>(53,879)</u>	<u>142,017</u>
Total net position	<u>202,004</u>	<u> </u>	<u>(53,879)</u>	<u>148,125</u>
Total liabilities and net position	<u>\$ 202,119</u>	<u>\$</u>	<u>\$ 6,301</u>	<u>\$ 208,420</u>

CITY OF SELMA
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended June 30, 2013

	Pioneer Village	Transit Service	Cultural Arts	Total Nonmajor Enterprise Funds
Operating Revenues				
Charges for services	\$ 15,941	\$	\$ 3,382	\$ 19,323
Rents	14,906		1,375	16,281
Miscellaneous	<u>12,659</u>	<u>8</u>	<u></u>	<u>12,667</u>
Total operating revenues	<u>43,506</u>	<u>8</u>	<u>4,757</u>	<u>48,271</u>
Operating Expenses				
Services and supplies	16,244		5,837	22,081
Other internal services	13,895		4,725	18,620
Depreciation	<u>826</u>	<u></u>	<u></u>	<u>826</u>
Total operating expenses	<u>30,965</u>	<u></u>	<u>10,562</u>	<u>41,527</u>
Operating income (loss)	<u>12,541</u>	<u>8</u>	<u>(5,805)</u>	<u>6,744</u>
Changes in net position	12,541	8	(5,805)	6,744
Net position (deficit), beginning of year	<u>189,463</u>	<u>(8)</u>	<u>(48,074)</u>	<u>141,381</u>
Net position (deficit), end of year	<u>\$202,004</u>	<u>\$</u>	<u>\$(53,879)</u>	<u>\$148,125</u>

CITY OF SELMA
Combining Statement of Net Position --
Internal Service Funds
June 30, 2013

	Insurance	Fleet Management	Building & Utility	General Overhead	Information Processing	Total Internal Service Funds
Assets						
Current assets:						
Cash and investments	\$ 12,626	\$ 2,706	\$41,432	\$2,653	\$12,066	\$ 71,483
Accounts receivable			1,695			1,695
Interfund receivables		106,298	27,507	680		133,805
Inventories		<u>\$109,004</u>	<u>\$70,634</u>	<u>\$3,333</u>	<u>\$12,066</u>	<u>680</u>
Total assets	<u>\$ 12,626</u>					<u>\$207,663</u>
Liabilities						
Current liabilities:						
Accounts payable	\$ 17,748	\$ 18,753	\$72,403	\$ 268	\$17,604	\$126,776
Accrued wages/benefits		3,543	2,320	1,322	3,636	10,821
Deposits payable						19,131
Interfund payables						133,805
Total liabilities	<u>170,684</u>	<u>22,296</u>	<u>74,723</u>	<u>1,590</u>	<u>21,240</u>	<u>290,533</u>
Net position:						
Unrestricted	(158,058)	86,708	(4,089)	1,743	(9,174)	(82,870)
Total net position	<u>(158,058)</u>	<u>86,708</u>	<u>(4,089)</u>	<u>1,743</u>	<u>(9,174)</u>	<u>(82,870)</u>
Total liabilities and net position	<u>\$ 12,626</u>	<u>\$109,004</u>	<u>\$70,634</u>	<u>\$3,333</u>	<u>\$12,066</u>	<u>\$207,663</u>

CITY OF SELMA
Combining Statement of Revenues, Expenses, and Changes in Net Position—
Internal Service Funds
For the Year Ended June 30, 2013

	Insurance	Fleet Management	Building & Utility	General Overhead	Information Processing	Total Internal Service Funds
Operating Revenues						
Charges for services	\$1,595,002	\$613,006	\$730,193	\$174,236	\$302,760	\$3,415,197
Total operating revenues	<u>1,595,002</u>	<u>613,006</u>	<u>730,193</u>	<u>174,236</u>	<u>302,760</u>	<u>3,415,197</u>
Operating Expenses						
Personnel services		87,256	54,622	38,077	87,733	267,688
Services and supplies		487,839	42,701	44,357	125,867	700,764
Other internal services	1,867,154	22,796	652,434	18,471	86,976	2,647,831
Total operating expenses	<u>1,867,154</u>	<u>597,891</u>	<u>749,757</u>	<u>100,905</u>	<u>300,576</u>	<u>3,616,283</u>
Operating income (loss)	(272,152)	15,115	(19,564)	73,331	2,184	(201,086)
Transfers						
Transfers out		(10,941)	(2,550)	(70,550)	(6,800)	(90,841)
Net transfers		<u>(10,941)</u>	<u>(2,550)</u>	<u>(70,550)</u>	<u>(6,800)</u>	<u>(90,841)</u>
Changes in net position	(272,152)	4,174	(22,114)	2,781	(4,616)	(291,927)
Net position, beginning of year	114,094	82,534	18,025	(1,038)	(4,558)	209,057
Net position, end of year	<u>\$ (158,058)</u>	<u>\$ 86,708</u>	<u>\$ (4,089)</u>	<u>\$ 1,743</u>	<u>\$ (9,174)</u>	<u>\$ (82,870)</u>

CITY OF SELMA
Combining Statement of Fiduciary Assets and Liabilities –
Agency Funds
June 30, 2013

	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
Assets									
Cash and investments	\$31,762	\$1,150	\$14,445	\$18,653	\$40,460	\$17,398	\$1,753	\$700	\$126,321
Total assets	<u>31,762</u>	<u>1,150</u>	<u>14,445</u>	<u>18,653</u>	<u>40,460</u>	<u>17,398</u>	<u>1,753</u>	<u>700</u>	<u>126,321</u>
Liabilities									
Accounts payable	29,540		779		6,973				37,292
Deposits	2,222	1,150	9,400	18,653	33,487	17,398	1,753	700	33,178
Other			4,266						55,851
Total liabilities	<u>31,762</u>	<u>1,150</u>	<u>14,445</u>	<u>18,653</u>	<u>40,460</u>	<u>17,398</u>	<u>1,753</u>	<u>700</u>	<u>126,321</u>
Net Position:									
Total net position	\$	\$	\$	\$	\$	\$	\$	\$	\$

SINGLE AUDIT SECTION



November 28, 2014

The Honorable Mayor and Members of the City Council
City of Selma
Selma, California

INDEPENDENT AUDITOR'S 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Selma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Selma's basic financial statements, and have issued our report thereon dated November 28, 2014.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. Items #2013-1 – #2013-3, 2013-5 – 2013-6.

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. Item #2013-4.

City of Selma
November 28, 2014

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*.

City of Selma's Response to Findings

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

Purpose of this Report

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

Sampson, Sampson & Patterson, LLP



November 28, 2014

The Honorable Mayor and Members of the City Council
City of Selma
Selma, California

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
REQUIRED BY OMB CIRCULAR A-133**

Report on Compliance for Each Major Federal Program

We have audited the City of Selma's compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Selma's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Selma's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "*Audits of States, Local Governments, and Non-Profit Organizations*." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal program. However, our audit does not provide a legal determination of City of Selma's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Selma complied, in all material respects, with the types of 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, 2013.

City of Selma
November 28, 2014

Report on Internal Control Over Compliance

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

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

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

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

Sampson, Sampson & Patterson, LLP

CITY OF SELMA
Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Disbursements/ Expenditures
U.S. Department of Justice			
Direct Programs			
COPS Hiring Recovery Program	16.710	2009RKWX0101	\$ 79,893
U.S. Marshall Service Joint Fugitive Apprehension	16.737	D97-10-0395	<u>10,305</u>
Total Department of Justice			<u>90,198</u>
U.S. Environmental Protection Agency			
Passed through State of California Water Resources Control Board:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	09-845.550	<u>5,171</u>
Total U.S. Environmental Protection Agency			<u>5,171</u>
U.S. Department of Transportation			
Passed through State of California Office of Traffic Safety:			
Sobriety Checkpoints	20.600	SC 10402	12,066
Safe Route to Schools	20.205	SR255096(027)	<u>7,186</u>
Total U.S. Department of Transportation			<u>19,252</u>
U.S. Department of Housing and Urban Development			
Passed through County of Fresno:			
Community Development Block Grant	14.218	11-675	245,587
Community Development Block Grant	14.218	12-541	<u>18,214</u>
Total Department of Housing and Urban Development			<u>263,801</u>

CITY OF SELMA
Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2013
(continued)

U.S. Department of Health and Urban Development

Passed through Fresno/Madera Area Agency on Aging: FMAAA-Title IIIC-1	93.045	13-021	<u>9,144</u>
Total U.S. Department of Health and Human Services			<u>9,144</u>

U.S. Department of Homeland Security

Passed through County of Fresno:			
State Homeland Security Grant Program	97.067	10-108	7,500
State Homeland Security Grant Program	97.067	11-005	16,151
Direct Program:			
Staffing for Adequate Fire Emergency Response	97.044	EMW-2011-FH-60528	<u>153,895</u>
Total U.S. Department of Homeland Security			<u>177,546</u>
Total Expenditures of Federal Awards			<u>\$565,112</u>

CITY OF SELMA
Notes to the Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2013

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 Successor 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, 2013

Part I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:		<u>Unmodified</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>Unmodified</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>
97.044	Staffing for Adequate Fire and Emergency Response
14.218	Community Development Block Grant
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
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2013

Part II - Financial Statement Finding Section

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

MATERIAL WEAKNESS

2013-1 BANK RECONCILIATIONS

Condition:

A review of the bank reconciliations at June 30, 2013 indicated that they did not all agree with the underlying City's records, the general ledger. Also, the trustee statements for cash-with-agent accounts were not reconciled. Two bank accounts had not been reconciled for the whole year, others not reconciled timely.

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:

Staff shortages and turnover had created a situation where bank reconciliations were deferred until a later date. With new staff coming in and proper separation of duties implemented, monthly bank reconciliations will take a much higher priority and will be completed and reviewed by the proper personnel.

CITY OF SELMA
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2013

MATERIAL WEAKNESS

2013-2 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:

Finance department staff has met and initiated procedures to insure proper coding for distributions made on debt service payments. A person with knowledge of the nature, timing and amounts due on debt service payments will review the postings to assure proper amounts and proper general ledger account classification.

CITY OF SELMA
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2013

MATERIAL WEAKNESS

2013-3 GENERAL LEDGER

Condition:

As a result of the audit process several journal entries were required to adjust the general ledger for it to reflect proper account balances for the year. The following is a list of problems that were encountered while working with the general ledger:

1. Adjusting entries had to be made to fund balance to make them agree with the prior year's audited year-end balances.
2. Capital assets records were not adequately maintained during the year.
3. Cash accounts reconciliations at year end were not complete.
4. Journal entries are not being properly reviewed and approved prior to posting to the general ledger.
5. Long-term liabilities had several mispostings and did not reflect correct amounts in the applicable funds, payroll and related liability accounts were incorrect and needed to be analyzed and adjusted.
6. Interfund transfers did not balance.

Criteria:

Controls over the general ledger should be established and monitored to reduce the risk of material misstatement in the financial statements.

Cause of Condition:

Controls over the general ledger are not being properly monitored or consistently followed.

Effect of Condition:

Inadequate maintenance of general ledger controls increases the risk of material misstatement within the financial statements.

Recommendation:

City finance staff are able to keep detailed subsidiary records current for the most part, however, the General Ledger needs to be maintained as this is the prime financial record for the City. Maintenance of the general ledger should be one of the highest priorities. Cash, Accounts Receivable, Accounts Payable, Long-Term Debt, Payroll Liabilities, and Capital Assets should reflect proper balances and be adjusted on a regular basis. All journal entries should be kept organized and should be thoroughly reviewed prior to posting.

CITY OF SELMA
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2013

Response:

A meeting was held with the finance department staff to reemphasize the importance of the maintenance of the general ledger which is the primary financial record of the City of Selma. The general ledger needs to be reconciled to the subsidiary records; however the general ledger is still the primary financial record. All journal entries will be maintained and organized in a binder, reviewed by the finance department manager, and entered by someone other than the person who generated the journal entry.

CITY OF SELMA
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2013

SIGNIFICANT DEFICIENCY

2013-4 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

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.

Response:

The meeting was held with the appropriate personnel in finance as well as HR to establish the separation of duties to ensure tighter internal controls over the payroll process. A meeting will be held with the department heads or supervisors that sign off on timesheets to emphasize the importance of their review to the payroll process. Between finance and HR, vacation schedules for every employee will be reviewed to ensure the proper accruals. The internal control system over payroll will be reviewed to ensure proper separation of duties.

CITY OF SELMA
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2013

MATERIAL WEAKNESS

2013-5 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 (18)
- Signature stamps are not adequately restricted in the finance department
- Invoices were not properly coded to the correct general ledger account code (2)
- The same person could add a new vendor to the accounting software, process a payment, and use the signature stamps to sign the check
- Checks had no City Manager approval on claim for payment (22)

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:

A meeting was held with the finance department and appropriate personnel outside the finance department to review procedures for controls over cash disbursements. Additional review will be made of the internal control over cash disbursements to ensure proper separation of duties.

CITY OF SELMA
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2013

MATERIAL WEAKNESS

2013-6 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
- Three journal entries selected were not properly supported
- Journal entries are input into the accounting system by the preparer
- One journal entry tested did not have the preparers name on it
- 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
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2013

Response:

A meeting was held with finance staff to develop new policies with respect to journal entries. All journal entries will be properly supported and signed off by the preparer. All journal entries will be reviewed by the appropriate personnel and signed off prior to posting to the general ledger. The preparer of the journal entry will not be the person who enters the journal entry.

CITY OF SELMA
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2013

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, 2013
(Continued)

There were no reportable audit findings in the prior fiscal year ended June 30, 2012.