

SELMA PUBLIC FINANCE AUTHORITY

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2010

Introductory Section

Selma Public Finance Authority
 Annual Financial Report
 For The Year Ended June 30, 2010

TABLE OF CONTENTS

	Page	Exhibit
FINANCIAL SECTION		
Independent Auditor's Report on Financial Statements.....	1	
Management's Discussion and Analysis (Required Supplementary Information).....	3	
Basic Financial Statements		
Government-wide Financial Statements:		
Statement of Net Assets.....	5	A-1
Statement of Activities.....	6	A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	7	A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Assets.....	9	A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	10	A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	12	A-6
Notes to the Financial Statements	13	
OTHER SUPPLEMENTARY INFORMATION SECTION		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20	

Financial Section

Member
American Institute
of
Certified Public Accountants
California Society
of
Certified Public Accountants
Internet Website
www.giicpa.com

Telephone
(559) 226-4176

Facsimile
(559) 226-4177

e-mail address
garyicpa@comcast.net

December 31, 2010

Independent Auditor's Report on Financial Statements

Board of Trustees
Selma Public Finance Authority
Selma, California

Members of the Board of Trustees:

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Selma Public Finance Authority as of and for the year ended June 30, 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Selma Public Finance Authority's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Selma Public Finance Authority as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 31, 2010, on my consideration of Selma Public Finance Authority's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Board of Trustees
Selma Public Finance Authority
Page 2

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages three through four 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Respectfully submitted,

Gary I. Istanbulian, CPA, An Accountancy Corp

Gary I. Istanbulian, CPA
An Accountancy Corporation

SELMA PUBLIC FINANCE AUTHORITY

Managements' Discussion and Analysis

JUNE 30, 2010

This section of the Selma Public Finance Authority's annual audit report presents a discussion by the Finance department of the Authority's financial performance during the fiscal year, which ended on June 30, 2010. Please read in conjunction with the Authority's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Authority's total assets are \$12,701,699. The Authority's liabilities are \$12,387,196.
- During the year the Authority's total revenues are \$426,289. Total expenses are \$558,888.

OVERVIEW OF THE FINANCIAL STATEMENT

This annual report consists of three parts—management's discussion and analysis (this section) the basic financial statements, and required supplementary information.

The basic financial statements include two kinds of statements that present different views of the Authority:

The first two statements are government-wide financial statements That provides both long-term and short-term information about the Authority's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the government, reporting the Authority's operations in more detail than the government-wide statements.

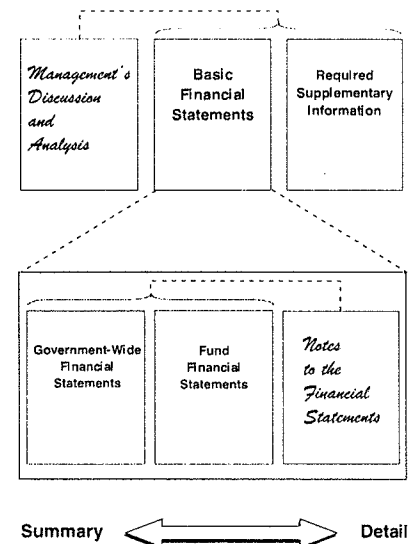
The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.

Fiduciary fund statements provide information about the financial relationships in which the Authority acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Government-wide Statements

The government-wide statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.



SELMA PUBLIC FINANCE AUTHORITY

Managements' Discussion and Analysis

JUNE 30, 2010

The two government-wide statements report the Authority's net assets and how they have changed. Net assets—the difference between the Authority's assets and liabilities—are one way to measure the Authority's financial health or position:

- Over time, increases or decreases in the Authority's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Authority, one needs to consider additional nonfinancial factors such as changes in the Authority's tax base.

The government-wide financial statements of the Authority include the Governmental activities. Most of the Authority's basic services are included here. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Authority's most significant funds—not the Authority as a whole. Funds are accounting devices that the Authority uses to keep track of specific sources of funding and spending for particular purposes:

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

Selma Public Finance Authority has the following kinds of funds:

- Governmental funds—Most of the Authority's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

FURTHER INFORMATION

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions or need additional information, contact Steven Yribarren, Financial Consultant, at the City of Selma.

Basic Financial Statements

SELMA PUBLIC FINANCE AUTHORITY

STATEMENT OF NET ASSETS

JUNE 30, 2010

	Governmental Activities
Assets:	
Cash and investments	\$ 41,304
Cash with fiscal agent	944,651
Notes receivable	11,715,744
Total Assets	<u>12,701,699</u>
Liabilities:	
Cash deficit	24,030
Accounts payable	3,166
Noncurrent liabilities:	--
Due within one year	995,000
Due in more than one year	11,365,000
Total Liabilities	<u>12,387,196</u>
NET ASSETS	
Restricted For:	
Debt Service	314,503
Total Net Assets	<u>\$ 314,503</u>

The accompanying notes are an integral part of this statement.

SELMA PUBLIC FINANCE AUTHORITY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Assets
Expenditures:		Governmental Activities
General government	11,350	(11,350)
Debt service:	547,538	(547,538)
Total expenditures	558,888	(558,888)
Total Primary Government	\$ 558,888	(558,888)
General Revenues:		
Revenue for use of money & property		116,001
Assessment Payments		307,138
Miscellaneous		3,150
Transfers		--
Total General Revenues and Transfers		426,289
Change in Net Assets		(132,599)
Net Assets - Beginning		447,102
Net Assets - Ending		\$ 314,503

The accompanying notes are an integral part of this statement.

SELMA PUBLIC FINANCE AUTHORITY

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2010

	1994 Debt Service	PFA Hotel Debt Service	PFA 1999 A Debt Service
Assets:			
Cash and investments	\$ --	\$ 3,163	\$ --
Cash with fiscal agent	203,261	--	422,954
Total Assets	<u>\$ 203,261</u>	<u>\$ 3,163</u>	<u>\$ 422,954</u>
Liabilities:			
Cash deficit	\$ --	\$ --	\$ 24,030
Accounts payable	--	3,163	--
Total Liabilities	<u>--</u>	<u>3,163</u>	<u>24,030</u>
Fund balances:			
Reserved fund balances:			
Reserved for debt service	203,261	--	398,924
Total fund balances	<u>203,261</u>	<u>--</u>	<u>398,924</u>
 Total Liabilities and Fund Balances	 <u>\$ 203,261</u>	 <u>\$ 3,163</u>	 <u>\$ 422,954</u>

The accompanying notes are an integral part of this statement.

PFA 1999 COP Debt Service	PFA 2001 A Debt Service	PFA 2004 A-B Debt Service	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ 38,141	\$ --	\$ 41,304
--	66,921	251,500	15	944,651
\$ --	\$ 66,921	\$ 289,641	\$ 15	\$ 985,955
\$ --	\$ --	\$ --	\$ --	\$ 24,030
--	3	--	--	3,166
--	3	--	--	27,196
--	66,918	289,641	15	958,759
--	66,918	289,641	15	958,759
\$ --	\$ 66,921	\$ 289,641	\$ 15	\$ 985,955

SELMA PUBLIC FINANCE AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Total fund balances - governmental funds balance sheet	\$	958,759
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Payables for bond principal which are not due in the current period are not reported in the funds.		(12,360,000)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.		11,715,744
Net assets of governmental activities - Statement of Net Assets	\$	314,503

The accompanying notes are an integral part of this statement.

SELMA PUBLIC FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	1994 Debt Service	PFA Hotel Debt Service	PFA 1999 A Debt Service
Revenue:			
Revenue for use of money & property	\$ 90,159	\$ --	\$ 25,831
Assessment payment	143,875	--	481,745
Miscellaneous	--	--	--
Total revenues	<u>234,034</u>	<u>--</u>	<u>507,576</u>
Expenditures:			
General government	8,200	--	--
Debt service:			
Principal	45,000	--	245,000
Interest and fiscal charges	98,875	--	274,825
Total expenditures	<u>152,075</u>	<u>--</u>	<u>519,825</u>
Excess (deficiency) of revenues over (under) expenditures	81,959	--	(12,249)
Other financing sources (uses):			
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	81,959	--	(12,249)
Fund balances/equity, July 1	121,302	--	411,173
Fund balances/equity, June 30	<u>\$ 203,261</u>	<u>\$ --</u>	<u>\$ 398,924</u>

The accompanying notes are an integral part of this statement.

PFA 1999 COP Debt Service	PFA 2001 A Debt Service	PFA 2004 A-B Debt Service	Other Governmental Funds	Total Governmental Funds
\$ --	\$ --	\$ --	\$ 11	\$ 116,001
68,452	546,625	223,441	--	1,464,138
--	3,150	--	--	3,150
68,452	549,775	223,441	11	1,583,289
--	3,150	--	--	11,350
290,000	415,000	145,000	--	1,140,000
33,272	131,625	78,941	--	617,538
323,272	549,775	223,941	--	1,768,888
(254,820)	--	(500)	11	(185,599)
--	--	--	--	--
(254,820)	--	(500)	11	(185,599)
254,820	66,918	290,141	4	1,144,358
\$ --	\$ 66,918	\$ 289,641	\$ 15	\$ 958,759

SELMA PUBLIC FINANCE AUTHORITY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds	\$ (185,599)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	(1,157,000)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,210,000
Change in net assets of governmental activities - Statement of Activities	<u>\$ (132,599)</u>

The accompanying notes are an integral part of this statement.

SELMA PUBLIC FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

A. Summary of Significant Accounting Policies

The combined financial statements of Selma Public Finance Authority (the "Authority") 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 Authority's basic financial statements include the accounts of all its operations. The Authority evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the Authority'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 Authority holds the corporate powers of the organization
- the Authority appoints a voting majority of the organization's board
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is fiscal dependency by the organization on the Authority
- the exclusion of the organization would result in misleading or incomplete financial statements

The Authority also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the Authority 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 Authority, its component units or its constituents; and 2) The Authority 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 Authority.

Based on these criteria, the Authority has no component units. Additionally, the Authority is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government. Eliminations been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Authority'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 Authority 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 Authority's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

SELMA PUBLIC FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

The Authority reports the following major governmental funds:

General Fund. This is the Authority's primary operating fund. It accounts for all financial resources of the Authority except those required to be accounted for in another fund.

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

b. **Measurement Focus, Basis of Accounting**

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Authority 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 Authority 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 Authority incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the Authority's policy to use restricted resources first, then unrestricted resources.

3. **Financial Statement Amounts**

a. **Property Taxes**

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

On October 12, 1993, the Fresno County Board of Supervisors voted to adopt an alternate method of property tax apportionment known as the Teeter Plan. The method applies to current secured and supplemental, but not to unsecured. The basic concept of the Teeter Plan is that the County 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.

SELMA PUBLIC FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

b. Inventories and Prepaid Items

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

c. Receivable and Payable Balances

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

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

d. 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.

e. Use of Estimates

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

2. 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>
None reported	Not applicable	Not applicable

C. Deposits and Investments

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

SELMA PUBLIC FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Cash Deposits:

At June 30, 2010, the carrying amount of the Authority's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$41,304 and the bank balance was \$41,304. The Authority's cash deposits at June 30, 2010 and during the year ended June 30, 2010, were entirely covered by FDIC insurance or by pledged collateral held by the Authority's agent bank in the Authority's name.

Analysis of Specific Deposit and Investment Risks:

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

SELMA PUBLIC FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

D. Amounts to be provided by special assessments

The Authority has entered into bond and lease agreements with the following at June 30, 2010:

City of Selma:

Assessment District No. 1991-2 Improvement Bonds - Highland	\$ 1,028,000
Assessment District No. 1992-1 Improvement Bonds - Dancer II	230,000
1993 Street and Alley Refunding	3,225,000
Assessment District No. 1992-1 Supplemental Improvement Bonds - Dancer III	215,000
Assessment District No. 1992-1 Third Supplemental Improvement Bonds - Pea Soup Andersen	1,689,000
Assessment District No. 1993-1 Improvement Bonds - Vineyard	430,000
City Hall Lease Financing - 1994	675,000
Assessment District No. 1991-2 Supplemental Improvement Bonds - Stillman	229,000
Assessment District No. 1991-2 Supplemental Improvement Bonds - Watermain	214,000
Assessment District No. 1997-1 - Theater	170,000
2004A Equipment and corporate yard	565,744
	<u>8,670,744</u>

City of Selma Redevelopment Agency:

2001A Refinance Tax Allocation Refunding Bonds	1,890,000
Housing Loan Agreement	515,000
2004A Courthouse	265,000
2004A Theater	215,000
	<u>2,885,000</u>

Other Agencies:

City of Mt. Shasta Assessment District 1994-1 Improvement Bonds	160,000
	<u>\$ 11,715,744</u>

Future Commitments to the Authority follow:

Year Ending	
June 30	
2011	\$ 1,485,483
2012	1,492,191
2013	1,403,961
2014	1,415,606
2015	1,411,867
After 2015	8,396,901
	<u>15,606,009</u>
Interest	(3,890,265)
	<u>\$ 11,715,744</u>

SELMA PUBLIC FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

E. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2010, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Special Revenue bonds	\$ 13,570,000	\$ --	\$ 1,210,000	\$ 12,360,000	995,000
Total governmental activities	\$ 13,570,000	\$ --	\$ 1,210,000	\$ 12,360,000	995,000

2. Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2010, are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2011	\$ 995,000	\$ 560,395	\$ 1,555,395
2012	1,045,000	519,419	1,564,419
2013	995,000	478,200	1,473,200
2014	1,045,000	433,821	1,478,821
2015	1,120,000	384,833	1,504,833
2016-2020	4,700,000	1,134,089	5,834,089
2021-2025	2,460,000	202,467	2,662,467
Totals	\$ 12,360,000	\$ 3,713,224	\$ 16,073,224

3. Bonds Payable

Description	Int. Rate Payable	Amt. Orig Issue	Outstanding 6-30-09	Issued	Retired	Outstanding 6-30-10
1994	Variable	11,570,000	1,440,000	--	115,000	1,325,000
99 COP	Variable	2,300,000	290,000	--	290,000	--
1999-A	Variable	8,110,000	4,680,000	--	245,000	4,435,000
2001-A	Variable	6,850,000	5,530,000	--	415,000	5,115,000
2004-A	Variable	2,515,000	1,630,000	--	145,000	1,485,000
			\$ 13,570,000	\$ --	\$ 1,210,000	\$ 12,360,000

SELMA PUBLIC FINANCE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

F. Commitments and Contingencies

1. Contingencies

The Authority 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 Authority has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the Authority, 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.

2. Litigation

No reportable litigation was pending against the Authority at June 30, 2010.

Required Supplementary Information

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

Other Supplementary Information

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

Member
American Institute
of
Certified Public Accountants
California Society
of
Certified Public Accountants
Internet Website
www.giicpa.com

Telephone
(559) 226-4176

Facsimile
(559) 226-4177

e-mail address
garyicpa@comcast.net

December 31, 2010

Independent Auditor's Report

Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

Board of Trustees
Selma Public Finance Authority
Selma, California

Members of the Board of Trustees:

I have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Selma Public Finance Authority as of and for the year ended June 30, 2010, which collectively comprise the Selma Public Finance Authority's basic financial statements and have issued my report thereon dated December 31, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Selma Public Finance Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Selma Public Finance Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Selma Public Finance Authority's internal control over financial reporting.

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.

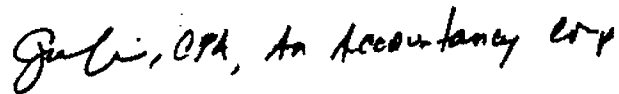
My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Selma Public Finance Authority's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the entity and the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Gary I. Istanbulian, CPA
An Accountancy Corporation