

**SELMA PUBLIC FINANCE AUTHORITY**

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**FINANCIAL STATEMENT  
WITH  
INDEPENDENT AUDITORS' REPORT**

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**YEAR ENDED JUNE 30, 2011**

**SELMA PUBLIC FINANCE AUTHORITY**

**ANNUAL FINANCIAL REPORT**

FOR THE YEAR ENDED JUNE 30, 2011

## Introductory Section

Selma Public Finance Authority  
 Annual Financial Report  
 For The Year Ended June 30, 2011

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## Financial Section



April 19, 2012

Board of Directors  
Selma Public Finance Authority  
Selma, California

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying 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, 2011, 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. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Selma Public Finance Authority as of June 30, 2011, 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*, we have also issued our report dated December 22, 2011, on our consideration of Selma Public Finance Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Selma Public Finance Authority

April 19, 2012

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Selma Public Finance Authority's financial statements as a whole. The combining financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Sampson, Sampson and Partners, LLP*

# SELMA PUBLIC FINANCE AUTHORITY

Managements' Discussion and Analysis

JUNE 30, 2011

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, 2011. Please read in conjunction with the Authority's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- The Authority's total assets are \$5,904,479. The Authority's liabilities are \$5,363,166.
- During the year the Authority's total revenues are \$839,334. Total expenses are \$532,525.

## 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 provide 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.

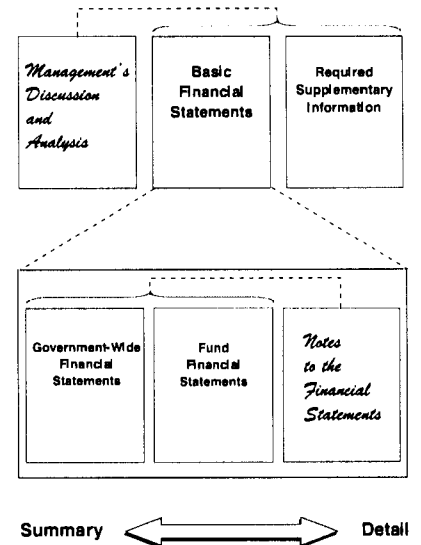
The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.

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, 2011

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, 2011**

	<u>Governmental Activities</u>
<b>Assets:</b>	
Cash and investments	\$ 59,248
Cash with fiscal agent	626,231
Notes receivable	5,219,000
<b>Total Assets</b>	<u><u>5,904,479</u></u>
<b>Liabilities:</b>	
Accounts payable	3,166
Noncurrent liabilities:	--
Due within one year	410,000
Due in more than one year	4,950,000
<b>Total Liabilities</b>	<u><u>5,363,166</u></u>
<b>NET ASSETS</b>	
Restricted For:	
Debt Service	1,265,569
Unrestricted	(724,256)
<b>Total Net Assets</b>	<u><u>\$ 541,313</u></u>

The accompanying notes are an integral part of this statement.

**SELMA PUBLIC FINANCE AUTHORITY**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Assets
Expenditures:		Governmental Activities
General government	252,535	(252,535)
Debt service:	279,990	(279,990)
Total expenditures	<u>532,525</u>	<u>(532,525)</u>
Total Primary Government	<u>\$ 532,525</u>	<u>(532,525)</u>
General Revenues:		
Assessment Payments		839,334
Transfers		--
Total General Revenues and Transfers		<u>839,334</u>
Change in Net Assets		306,809
Net Assets - Beginning		314,504
Prior Period Adjustment		(80,000)
Net Assets - Ending		<u>\$ 541,313</u>

The accompanying notes are an integral part of this statement.

**SELMA PUBLIC FINANCE AUTHORITY**

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2011

	1994 Debt Service	PFA Hotel Debt Service	PFA 1999 A Reasses Debt Service
<b>Assets:</b>			
Cash and investments	\$ --	\$ 3,163	\$ 17,744
Cash with fiscal agent	203,261	--	422,955
<b>Total Assets</b>	<b>\$ 203,261</b>	<b>\$ 3,163</b>	<b>\$ 440,699</b>
<b>Liabilities:</b>			
Accounts payable	\$ --	\$ 3,163	\$ --
<b>Total Liabilities</b>	<b>--</b>	<b>3,163</b>	<b>--</b>
<b>Fund balances:</b>			
Assigned, reported in:			
Debt service	203,261	--	440,699
<b>Total fund balances</b>	<b>203,261</b>	<b>--</b>	<b>440,699</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 203,261</b>	<b>\$ 3,163</b>	<b>\$ 440,699</b>

The accompanying notes are an integral part of this statement.

segment	PFA 2001 A Debt Service	PFA 2004 A-B Debt Service	2010 Debt Service Fund	Other Governmental Funds	Total Governmental Funds
	\$ --	\$ 38,141	\$ 200	\$ --	\$ 59,248
	--	--	--	15	626,231
	<u>\$ --</u>	<u>\$ 38,141</u>	<u>\$ 200</u>	<u>\$ 15</u>	<u>\$ 685,479</u>
	\$ 3	\$ --	\$ --	\$ --	\$ 3,166
	<u>3</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>3,166</u>
	(3)	38,141	200	15	682,313
	<u>(3)</u>	<u>38,141</u>	<u>200</u>	<u>15</u>	<u>682,313</u>
	<u>\$ --</u>	<u>\$ 38,141</u>	<u>\$ 200</u>	<u>\$ 15</u>	<u>\$ 685,479</u>

**SELMA PUBLIC FINANCE AUTHORITY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

Total fund balances - governmental funds balance sheet	\$ 682,313
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.	(5,360,000)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	<u>5,219,000</u>
Net assets of governmental activities - Statement of Net Assets	<u>\$ 541,313</u>

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, 2011

	1994 Debt Service	PFA Hotel Debt Service	PFA 1999 A Reasses Debt Service
Revenue:			
Assessment payment	\$ 140,425	\$ --	\$ 536,704
Total revenues	<u>140,425</u>	<u>--</u>	<u>536,704</u>
Expenditures:			
General government	--	--	--
Debt service:			
Principal	125,000	--	355,000
Interest and fiscal charges	15,425	--	139,930
Total expenditures	<u>140,425</u>	<u>--</u>	<u>494,930</u>
Excess (deficiency) of revenues over (under) expenditures	--	--	41,774
Other financing sources (uses):			
Operating transfers in	--	--	--
Operating transfers out	--	--	--
Proceeds from bonds	--	--	--
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	--	--	41,774
Fund balances/equity, July 1	203,261	--	398,925
Fund balances/equity, June 30	<u>\$ 203,261</u>	<u>\$ --</u>	<u>\$ 440,699</u>

The accompanying notes are an integral part of this statement.



segment	PFA 2001 A Debt Service	PFA 2004 A-B Debt Service	2010 Debt Service Fund	Other Governmental Funds	Total Governmental Funds
	\$ --	\$ 1,036	\$ 161,169	\$ --	\$ 839,334
	--	1,036	161,169	--	839,334
	--	252,535	--	--	252,535
	5,115,000	1,485,000	--	--	7,080,000
	119,643	36,034	1,197,214	--	1,508,246
	<u>5,234,643</u>	<u>1,773,569</u>	<u>1,197,214</u>	<u>--</u>	<u>8,840,781</u>
	(5,234,643)	(1,772,533)	(1,036,045)	--	(8,001,447)
	5,167,722	1,521,033	--	--	6,688,755
	--	--	(6,688,755)	--	(6,688,755)
	--	--	7,725,000	--	7,725,000
	<u>5,167,722</u>	<u>1,521,033</u>	<u>1,036,245</u>	<u>--</u>	<u>7,725,000</u>
	(66,921)	(251,500)	200	--	(276,447)
	66,918	289,641	--	15	958,760
	<u>\$ (3)</u>	<u>\$ 38,141</u>	<u>\$ 200</u>	<u>\$ 15</u>	<u>\$ 682,313</u>

**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, 2011

Net change in fund balances - total governmental funds	\$ (276,447)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	<u>583,256</u>
Change in net assets of governmental activities - Statement of Activities	<u>\$ 306,809</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, 2011**

**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 a component unit of the City of Selma, 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, 2011**

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.

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, 2011

b. 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.

d. 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.

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 a specific purpose because of a formal action by the Authority's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees 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 Board of Trustees. 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 Authority 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 Board of Trustees or by an official or body to which the Board of Trustees 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 convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the Authority 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.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

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

**SELMA PUBLIC FINANCE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**B. Compliance and Accountability**

**1. Finance-Related Legal and Contractual Provisions**

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

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

**C. Deposits and Investments**

The 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 Authority funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

**Cash Deposits:**

At June 30, 2011, the carrying amount of the Authority's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$59,248 and the bank balance was \$59,248. The Authority's cash deposits at June 30, 2011 and during the year ended June 30, 2011, 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.

**SELMA PUBLIC FINANCE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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.

D. Amounts to be provided by special assessments

The Authority has entered into bond and lease agreements with the following at June 30, 2011:

City of Selma:

Assessment District No. 1991-2 Improvement Bonds - Highland	\$ 978,000
Assessment District No. 1992-1 Improvement Bonds - Dancer II	220,000
Assessment District No. 1992-1 Supplemental Improvement Bonds - Dancer III	205,000
Assessment District No. 1992-1 Third Supplemental Improvement Bonds - Pea Soup Andersen	1,609,000
Assessment District No. 1993-1 Improvement Bonds - Vineyard	410,000
City Hall Lease Financing - 1994	645,000
Assessment District No. 1991-2 Supplemental Improvement Bonds - Stillman	216,000
Assessment District No. 1991-2 Supplemental Improvement Bonds - Watermain	206,000
Assessment District No. 1997-1 - Theater	150,000
	<u>4,639,000</u>

City of Selma Redevelopment Agency:

Housing Loan Agreement	500,000
	<u>500,000</u>

Other Agencies:

City of Mt. Shasta Assessment District 1994-1 Improvement Bonds	80,000
	<u>\$ 5,219,000</u>

**SELMA PUBLIC FINANCE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Future Commitments to the Authority follow:

Year Ending		
June 30		
2012	\$	720,267
2013		634,028
2014		637,176
2015		627,942
2016		637,029
After 2016		<u>4,492,233</u>
		<u>7,748,675</u>
Interest		(2,527,675)
	\$	<u><u>5,221,000</u></u>

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, 2011, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 12,440,000	\$ --	\$ 7,080,000	\$ 5,360,000	410,000
Capital leases	--	--	--	--	--
Total governmental activities	<u>\$ 12,440,000</u>	<u>\$ --</u>	<u>\$ 7,080,000</u>	<u>\$ 5,360,000</u>	<u>\$ 410,000</u>

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

2. Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2011, are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2012	\$ 410,000	\$ 338,378	\$ 748,378
2013	355,000	207,805	562,805
2014	365,000	290,770	655,770
2015	415,000	265,821	680,821
2016	385,000	237,445	622,445
2017-2021	2,140,000	809,210	2,949,210
2022-2026	1,290,000	120,903	1,410,903
Totals	<u>\$ 5,360,000</u>	<u>\$ 2,270,332</u>	<u>\$ 7,630,332</u>



**SELMA PUBLIC FINANCE AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

3. Bonds Payable

Description	Int. Rate Payable	Amt. Orig Issue	Outstanding 6-30-10	Issued	Retired	Outstanding 6-30-11
1994	4% - 7.25%	11,570,000	1,405,000	--	220,000	1,185,000
1999A	4.5% - 5.85%	8,110,000	4,435,000	--	260,000	4,175,000
2001-A	Variable	6,850,000	5,115,000	--	5,115,000	--
2004-A	Variable	2,515,000	1,485,000	--	1,485,000	--
			<u>\$ 12,440,000</u>	<u>\$ --</u>	<u>\$ 7,080,000</u>	<u>\$ 5,360,000</u>

1. 1994 Revenue Bonds.

On March 15, 1994, the Selma Public Financing Authority issued \$1,814,000 of Revenue Bonds to finance improvements for the City Hall of Selma and refunding of the City of Mount Shasta Assessment District No. 1989-1 Bond. The bonds have an interest rate of 5.55% to 7.00% and mature on September 15, 2023. Bonds are payable annually at various amounts. The principal balance outstanding at June 30, 2011 is 1,185,000.

2. 1999A Assessment Revenue Bonds.

On September 2, 1999, the Selma Public Financing 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, 2011 is \$4,175,000.

3. 2010 Lease Revenue Refunding bonds.

On August 5, 2010 the Selma Public Financing 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 costs 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 Financing Authority Long-Term Debt.

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

F. Commitments and Contingencies.

1. Litigation

No reportable litigation was pending against the Authority at June 30, 2011.

G. Subsequent Events

Subsequent events were evaluated through December 12, 2011, which is the date the financial statements were available to be issued.

**SELMA PUBLIC FINANCE AUTHORITY**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011

H. Prior Period Adjustment

Certain errors resulting in an understatement of previously reported liabilities were discovered during the current year. Accordingly, adjustments totaling \$80,000 were made for the following:

1) Balance on bonds payable were understated \$ 80,000

A corresponding entry was made to reduce previously reported net assets by \$80,000.

## Other Auditors' Reports

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.



April 19, 2012

Board of Directors  
Selma Public Finance Authority  
Selma, California

REPORT ON INTERNAL CONTROL OVER FINACNIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDTING STANDARDS

We have audited the financial statements of the Public Finance Authority of the City of Selma, California (the "Authority"); a component unit of the City of Selma as of and for the year ended June 30, 2011, and have issued our report thereon dated December 22, 2011. We have conducted our audit 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, Section 33080.1(a) of the Health and Safety Code of the State of California and the procedures contained in the Controller of the State of California "*Guidelines for Compliance Audits of California Public Finance Authorities*."

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Selma Public Finance Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 Selma Public Finance Authority's internal control over financial reporting. Accordingly, we 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.

Our 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Selma Finance Authority

April 19, 2012

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### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Selma Public Finance Authority'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. Such provisions include those provisions of laws and regulations identified in the *Guidelines of Compliance Audits of California Redevelopment Agencies, 2001* issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing compliance Audits of California Public Finance Authorities, August, 2011*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. 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 *Governmental Auditing Standards*.

This report is intended for the information and use of management, others within the entity and the State of California Controller's Office. However this report is a matter of public record and its distribution is not limited.

*Sampson, Sampson and Partners, LLP*