

CITY OF SELMA  
PUBLIC FINANCE AUTHORITY

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FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT

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YEAR ENDED JUNE 30, 2013

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November 28, 2014

Board of Directors  
Selma Public Finance Authority  
Selma, California

### INDEPENDENT AUDITOR'S 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, 2013, which collectively comprise the Authority'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. 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 authority'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 authority'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, each major fund, and the aggregate remaining fund information of Selma Public Finance Authority as of June 30, 2013, 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.

Selma Public Finance Authority  
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 on pages 3 and 4 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 Selma Public Finance Authority's basic financial statements.

The combining financial statements are the responsibility of management and were derived from and related 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Sampson, Sampson & Patterson, LLP*

**SELMA PUBLIC FINANCE AUTHORITY**  
**Managements' Discussion and Analysis**  
**June 30, 2013**

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, 2013. Please read in conjunction with the Authority's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- The Authority's total assets are \$4,789,795. The Authority's liabilities are \$4,598,162.
- During the year the Authority's total revenues are \$706,532. Total expenses are \$678,464.

**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:

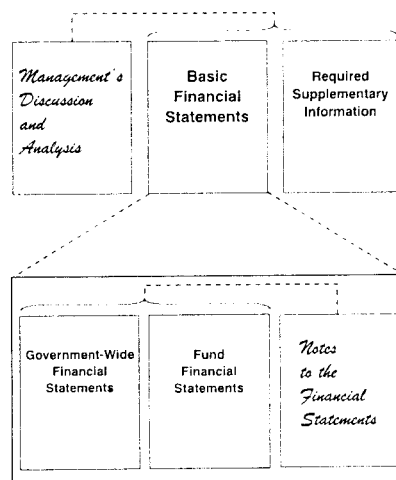
The first two statements are government-wide financial statements that provide both long-term and short-term information about the Authority's overall financial status.

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.



Summary  $\longleftrightarrow$  Detail

**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, 2013**

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

- Over time, increases or decreases in the Authority's net position is 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.

**SELMA PUBLIC FINANCE AUTHORITY**  
**Statement of Net Position**  
**June 30, 2013**

	Governmental Activities
<b>Assets</b>	
Cash and investments	\$ 110,203
Cash with fiscal agent	561,909
Assessments receivable	3,107,683
Notes receivable	<u>1,010,000</u>
Total assets	<u>4,789,795</u>
<b>Liabilities</b>	
Accounts payable	3,162
Noncurrent liabilities:	
Due within one year	375,000
Due in more than one year	<u>4,220,000</u>
Total liabilities	<u>4,598,162</u>
<b>Net Position</b>	
Restricted for:	
Debt service	668,950
Unassigned	<u>(477,317)</u>
Total net position	<u>\$ 191,633</u>

The accompanying notes are an integral part of these financial statements

**SELMA PUBLIC FINANCE AUTHORITY**  
**Statement of Activities**  
**For the Year Ended June 30, 2013**

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Position Governmental Activities
Expenditures		
Interest and fiscal charges	<u>\$323,434</u>	<u>\$(323,434)</u>
Total expenditures	<u>323,434</u>	<u>(323,434)</u>
Total governmental activities	<u>\$323,434</u>	<u>\$(323,434)</u>
General revenues:		
Other revenue		12,810
Interest payments		24,881
Transfers (net)		<u>(62,506)</u>
Total general revenues and transfers		<u>(24,815)</u>
Changes in net position		(348,249)
Net position - beginning		<u>539,882</u>
Net position - ending		\$ 191,633

The accompanying notes are an integral part of these financial statements



**SELMA PUBLIC FINANCE AUTHORITY**  
**Balance Sheet - Governmental Funds**  
**June 30, 2013**

	1994 Debt Service	PFA Hotel Debt Service	PFA 1999-A Reassess Debt Service	PFA 2004 A-B Debt Service	2010 Debt Service Funds	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Cash and investments	\$	\$	\$ 72,062	\$38,141	\$	\$	\$110,203
Cash with fiscal agent	<u>153,659</u>		<u>408,250</u>				<u>561,909</u>
Total assets	\$ <u>153,659</u>	\$	\$ <u>480,312</u>	\$ <u>38,141</u>	\$	\$	\$ <u>672,112</u>
<b>Liabilities</b>							
Accounts payable	\$	\$ <u>3,162</u>	\$	\$	\$	\$	\$ <u>3,162</u>
Total liabilities		<u>3,162</u>					<u>3,162</u>
<b>Fund balance</b>							
Assigned, reported in:							
Debt service	<u>153,659</u>	<u>(3,162)</u>	<u>480,312</u>	<u>38,141</u>			<u>668,950</u>
Total fund balances	<u>153,659</u>	<u>(3,162)</u>	<u>480,312</u>	<u>38,141</u>			<u>668,950</u>
Total liabilities and fund balances	\$ <u>153,659</u>	\$	\$ <u>480,312</u>	\$ <u>38,141</u>	\$	\$	\$ <u>672,112</u>

The accompanying notes are an integral part of these financial statements  
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**SELMA PUBLIC FINANCE AUTHORITY**  
**Reconciliation of the Government Fund Balance Sheet**  
**to the Statement of Net Assets**  
**June 30, 2013**

Total fund balance – governmental fund balance sheet	\$ 668,950
Amounts reported for governmental activities in the statement of net position are different because:	
Payables for bond principal which are not due in the current period are not reported in the funds	(4,595,000)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds	<u>4,117,683</u>
Net position of governmental activities – Statement of Net Position	<u>\$ 191,633</u>

**SELMA PUBLIC FINANCE AUTHORITY**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2013**

	1994	PFA	PFA	PFA	PFA	2010	
	Debt	Hotel	1999-A	2004 A-B	Debt	Debt	Total
	Service	Debt	Reassess	Debt	Service	Service	Governmental
	Funds	Service	Debt Service	Service	Funds	Funds	Funds
Revenues:							
Interest	\$ 59	\$	\$ 24,822	\$	\$	\$	\$ 24,881
Miscellaneous revenue	<u>12,268</u>	—	—	—	<u>542</u>	—	<u>12,810</u>
Total revenues	<u>12,327</u>	—	<u>24,822</u>	—	<u>542</u>	—	<u>37,691</u>
Expenditures:							
Debt service:							
Principal	55,000	—	300,000	—	—	—	355,000
Interest and fiscal charges	87,250	—	230,118	—	1,084	—	317,368
Other	—	<u>3,162</u>	—	—	—	<u>1,850</u>	<u>6,096</u>
Total expenditures	<u>142,250</u>	<u>3,162</u>	<u>530,118</u>	—	<u>1,084</u>	—	<u>678,464</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(129,923)</u>	<u>(3,162)</u>	<u>(505,296)</u>	—	<u>(542)</u>	<u>(1,850)</u>	<u>(640,773)</u>
Other financing sources:							
Operating transfers in	<u>142,250</u>	—	<u>526,591</u>	—	—	—	<u>668,841</u>
Total other financing sources	<u>142,250</u>	—	<u>526,591</u>	—	—	—	<u>668,841</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	12,327	(3,162)	21,295	—	(542)	(1,850)	28,068
Fund balances, July 1, 2012	<u>141,332</u>	—	<u>459,017</u>	<u>38,141</u>	<u>542</u>	<u>1,850</u>	<u>640,882</u>
Fund balances, June 30, 2013	<u>\$ 153,659</u>	<u>\$ (3,162)</u>	<u>\$ 480,312</u>	<u>\$ 38,141</u>	<u>\$</u>	<u>\$</u>	<u>\$ 668,950</u>

The accompanying notes are an integral part of these financial statements

**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, 2013**

Net change in fund balance – total governmental funds	\$ 28,068
Amounts reported for Governmental Activities in the Statement of Net Position are different because:	
Receipt of notes receivable is revenue in the funds but is not revenue in the Statement of Activities	(731,317)
Payment of bond principal is an expenditure in the funds but is not an expense in the Statement of Activities	<u>355,000</u>
Changes in net position of governmental activities – Statement of Activities	<u>\$(348,249)</u>

**SELMA PUBLIC FINANCE AUTHORITY**  
**Notes to Financial Statements**  
**June 30, 2013**

**NOTE 1 – 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

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 have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

**SELMA PUBLIC FINANCE AUTHORITY**  
**Notes to Financial Statements**  
**June 30, 2013**  
**(Continued)**

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.

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.

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. Non-exchange 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.

**SELMA PUBLIC FINANCE AUTHORITY**  
**Notes to Financial Statements**  
**June 30, 2013**  
**(Continued)**

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

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.

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.

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 – 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).

**SELMA PUBLIC FINANCE AUTHORITY**  
**Notes to Financial Statements**  
**June 30, 2013**  
**(Continued)**

*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 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 conveys 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 Financial Statements**  
**June 30, 2013**  
**(Continued)**

**NOTE 2 – COMPLIANCE AND ACCOUNTABILITY**

Finance-Related Legal and Contractual Provisions

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

Violation	Action Taken
None Reported	Not Applicable

**NOTE 3 – CASH 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 and investments as of June 30, 2013 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$110,203
Restricted cash and investments with fiscal agents	<u>561,909</u>
Total cash and investments	<u>\$672,112</u>

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

Deposits with financial institutions	\$110,203
Money market funds	153,659
Investment agreement	<u>408,250</u>
Total cash and investments	<u>\$672,112</u>

A. Investment Authorized by the California Government Code and the Cities 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.

**SELMA PUBLIC FINANCE AUTHORITY**  
**Notes to Financial Statements**  
**June 30, 2013**  
**(Continued)**

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (State Pool)	N/A	None	\$40 million
U.S. Treasury Obligations	N/A	None	None
U.S. Government Agency Issues	N/A	None	None
Insured Passbook on Demand Deposits with Banks and Savings and Loans	N/A	None	\$250,000
Certificates of Deposit	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

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.

**B. 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 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.

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:

Investment Type	Fair Value	12 Months or Less	Longer Than 60 Months
Held by Bond Trustee:			
Money Market Funds	\$153,659	\$153,659	\$
Investment Agreement	<u>408,250</u>	<u>                    </u>	<u>408,250</u>
	<u>\$561,909</u>	<u>\$153,659</u>	<u>\$408,250</u>

**SELMA PUBLIC FINANCE AUTHORITY**  
**Notes to Financial Statements**  
**June 30, 2013**  
**(Continued)**

C. 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).

D. 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 rating as of fiscal year end for each investment type.

Investment Type	Amount	Ratings as of Fiscal Year End		
		Minimum Legal Rating	Not Rated	AAAm
Held by Bond Trustee:				
Money Market Funds	\$153,659	AAm	\$	\$153,659
Investment Agreement	<u>408,250</u>	N/A	<u>408,250</u>	
	\$561,909		\$408,250	<u>\$153,659</u>

E. 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.

F. 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

**SELMA PUBLIC FINANCE AUTHORITY**  
**Notes to Financial Statements**  
**June 30, 2013**  
**(Continued)**

following provision for deposits: The 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 Authority's deposits with financial institutions in excess of federal depository insurance limits were held in an 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.

**NOTE 4 – AMOUNTS TO BE PROVIDED BY SPECIAL ASSESSMENTS**

The Authority has entered into bond agreements with the following at June 30, 2013:

<u>City of Selma:</u>	
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 Andersen	1,347,500
Assessment District No. 1993-1 Improvement Bonds – Vineyards	284,483
Assessment District No. 1991-2 Supplemental Improvement 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 – NOTES RECEIVABLE**

<u>City of Selma Successor Agency:</u>	
Housing Loan Agreement	\$ 460,000
	<u>460,000</u>
 <u>City of Selma:</u>	
City Hall Lease Financing - 1994	<u>550,000</u>
	<u>550,000</u>
	<u>\$1,010,000</u>

**SELMA PUBLIC FINANCE AUTHORITY**  
**Notes to Financial Statements**  
**June 30, 2013**  
**(Continued)**

Future Commitments to the Authority are as follows:

Year Ending June 30,	
2014	\$ 655,770
2015	680,821
2016	622,445
2017	614,696
2018	584,920
2019-2023	2,854,441
2024	<u>306,056</u>
	6,319,149
Less: Amount representing interest and adjustments	<u>(2,201,466)</u>
	<u>\$ 4,117,683</u>

**NOTE 6 – LONG-TERM OBLIGATIONS**

Long-Term Obligations

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2013, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$4,950,000	\$ _____	\$355,000	\$4,595,000	\$375,000
Total governmental activities	\$4,950,000	\$ _____	\$355,000	\$4,595,000	\$375,000

**SELMA PUBLIC FINANCE AUTHORITY**  
**Notes to Financial Statements**  
**June 30, 2013**  
**(Continued)**

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

Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2013, are as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
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>

Bonds Payable

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% - 6.150%	8,165,000	<u>3,885,000</u>		<u>300,000</u>	<u>3,585,000</u>
			<u>\$4,950,000</u>	\$	<u>\$355,000</u>	<u>\$4,595,000</u>

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 Mt. Shasta Assessment District No. 1989-1 Bond and other local agency obligations. The bonds have an interest rate of 5.55% to 7.00% and matures on September 15, 2023. 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.

**SELMA PUBLIC FINANCE AUTHORITY**  
**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.

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.

**NOTE 7 – COMMITMENTS AND CONTINGENCIES**

Litigation

No reportable litigation was pending against the Authority at June 30, 2013.

**NOTE 8 – SUBSEQUENT EVENTS**

Subsequent events were evaluated through November 28, 2014, which is the date the financial statements were available to be issued.

OTHER AUDITOR'S REPORTS





November 28, 2014

Board of Directors  
Selma Public Finance Authority  
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 AUDTING 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 in *Government Auditing Standards*, issued by the Comptroller General of the United States, the 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, 2013, and the related notes to the financial statements, which collectively comprise the Selma Public Finance Authority’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 of the financial statements, we considered the Selma Public Finance Authority’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 Selma Public Finance Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Selma Public Finance Authority’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 a material weakness 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 Authority’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 responses to be material weaknesses. Item #2013-1 and 2013-2.

Selma Public Finance Authority  
November 28, 2014

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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. 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 instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2013-1 and 2013-2.

### **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 responses. 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 authority'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 authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Sampson, Sampson & Patterson, LLP*

**SELMA PUBLIC FINANCING AUTHORITY  
Schedule of Findings and Responses  
For The Year Ended June 30, 2013**

MATERIAL WEAKNESS

2013-1 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 classifications.

**SELMA PUBLIC FINANCING AUTHORITY**  
**Schedule of Findings and Responses**  
**For The Year Ended June 30, 2013**  
**(Continued)**

MATERIAL WEAKNESS

2013-2 BANK RECONCILIATION

Condition:

A review of the bank reconciliation at June 30, 2013 indicated that it had not been reconciled for the entire year. Also, the trustee statements for cash-with-agent accounts were not reconciled.

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.