

Selma Redevelopment Agency
Report on Examination of Financial Statements
For the year ended June 30, 2008
And
Independent Auditors' Report

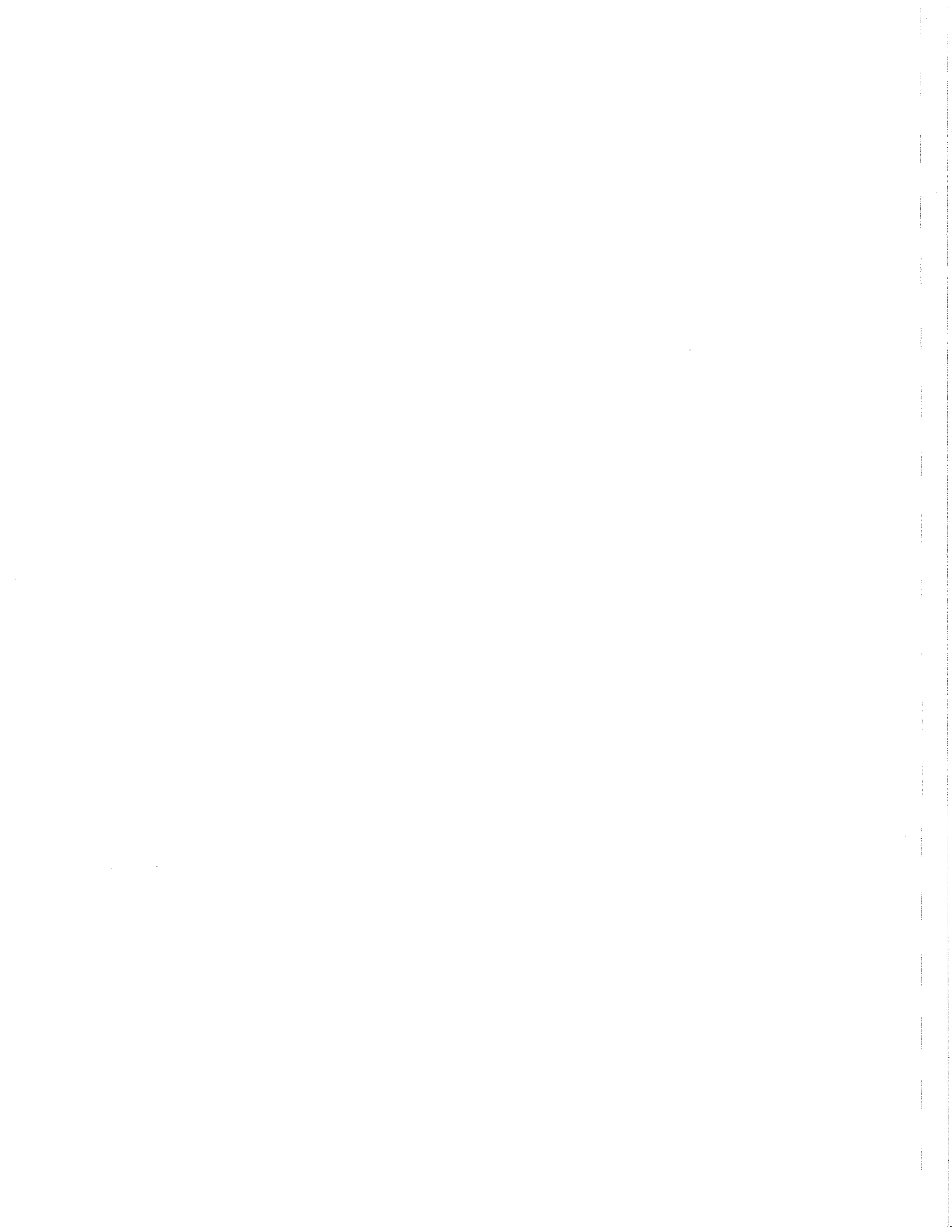


Introductory Section

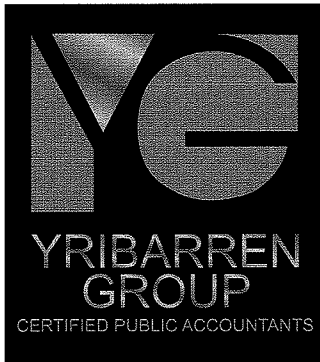
Selma Redevelopment Agency
Annual Financial Report
For The Year Ended June 30, 2008

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Financial Section



Steven B. Yribarren, CPA

Nancy R. Tutschulte, CPA
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December 31, 2008

Independent Auditor's Report on Financial Statements

Board of Directors
Selma Redevelopment Agency
Selma, California

Members of the Board of Directors:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Selma Redevelopment Agency as of and for the year ended June 30, 2008, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Selma Redevelopment Agency' 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Selma Redevelopment Agency as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2008, on our consideration of Selma Redevelopment Agency' 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 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 our audit.

The Management's Discussion and Analysis and the budgetary comparison information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the Selma Redevelopment Agency' basic financial statements. The accompanying combining financial statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,



Yribarren Group
Certified Public Accountants

SELMA REDEVELOPMENT AGENCY

Managements' Discussion and Analysis

JUNE 30, 2008

This section of the Selma Redevelopment Agency's annual audit report presents a discussion by the Finance department of the Agency's financial performance during the fiscal year which ended on June 30, 2008. Please read in conjunction with the Agency's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Agency's total assets are \$3,315,730. The Agency's liabilities are \$5,197,720.
- During the year the Agency's total revenues are \$2,041,989. Total expenses are \$5,850,199.

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 District:

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

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

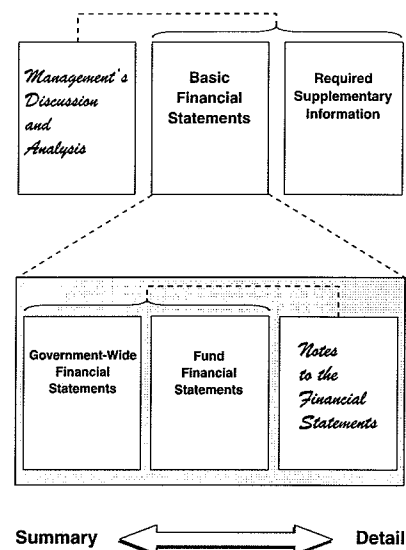
The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.

Fiduciary fund statements provide information about the financial relationships in which the District 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 District 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 REDEVELOPMENT AGENCY

Managements' Discussion and Analysis

JUNE 30, 2008

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

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

The government-wide financial statements of the District include the Governmental activities. Most of the Agency's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Agency's most significant funds—not the District as a whole. Funds are accounting devices that the District 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 Redevelopment Agency has the following kinds of funds:

- Governmental funds—Most of the Agency'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 Agency'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 Roberta Araki, Interim Finance Director, at the City of Selma.

Basic Financial Statements

SELMA REDEVELOPMENT AGENCY

STATEMENT OF NET ASSETS

JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments	\$ 2,309,503	\$ 18,238	\$ 2,327,741
Due from other agencies	35,000	--	35,000
Notes receivable	952,989	--	952,989
Total Assets	<u>3,297,492</u>	<u>18,238</u>	<u>3,315,730</u>
Liabilities:			
Cash deficit	1,694,467	--	1,694,467
Due to other agencies	149,996	3,257	153,253
Noncurrent liabilities:	--	--	--
Due in more than one year	3,350,000	--	3,350,000
Total Liabilities	<u>5,194,463</u>	<u>3,257</u>	<u>5,197,720</u>
NET ASSETS			
Restricted For:			
Debt Service	(331,634)	--	(331,634)
Capital Projects	744,361	--	744,361
Low-income housing	258,503	--	258,503
Unrestricted	(2,568,201)	14,981	(2,553,220)
Total Net Assets	<u>\$ (1,896,971)</u>	<u>\$ 14,981</u>	<u>\$ (1,881,990)</u>

The accompanying notes are an integral part of this statement.

SELMA REDEVELOPMENT AGENCY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Assets		
			Governmental Activities	Business-type Activities	Total
Expenditures:					
Community Development	\$ 603,335	\$ --	\$ (603,335)		\$ (603,335)
Debt service:	965,285	--	(965,285)		(965,285)
Total expenditures	<u>1,568,620</u>	<u>--</u>	<u>(1,568,620)</u>		<u>(1,568,620)</u>
Business-type Activities:					
RDA Selma Manufacturing Complex	4,281,579	254,761	--	\$ (4,026,818)	(4,026,818)
Total Primary Government	<u>\$ 5,850,199</u>	<u>\$ 254,761</u>	<u>(1,568,620)</u>	<u>(4,026,818)</u>	<u>(5,595,438)</u>
General Revenues:					
Taxes			1,320,762	--	1,320,762
Assessments			--	322,149	322,149
Revenue for use of money & property			17,571	12,269	29,840
Miscellaneous			67,126	1,000	68,126
Transfers			46,351	--	46,351
Total General Revenues			<u>1,451,810</u>	<u>335,418</u>	<u>1,787,228</u>
Change in Net Assets			<u>(116,810)</u>	<u>(3,691,400)</u>	<u>(3,808,210)</u>
Net Assets - Beginning			<u>(1,780,161)</u>	<u>3,723,594</u>	<u>1,943,433</u>
Prior Period Adjustment			--	<u>(17,213)</u>	<u>(17,213)</u>
Net Assets - Ending\$			<u>(1,896,971)</u>	<u>\$ 14,981</u>	<u>\$ (1,881,990)</u>

The accompanying notes are an integral part of this statement.

SELMA REDEVELOPMENT AGENCY

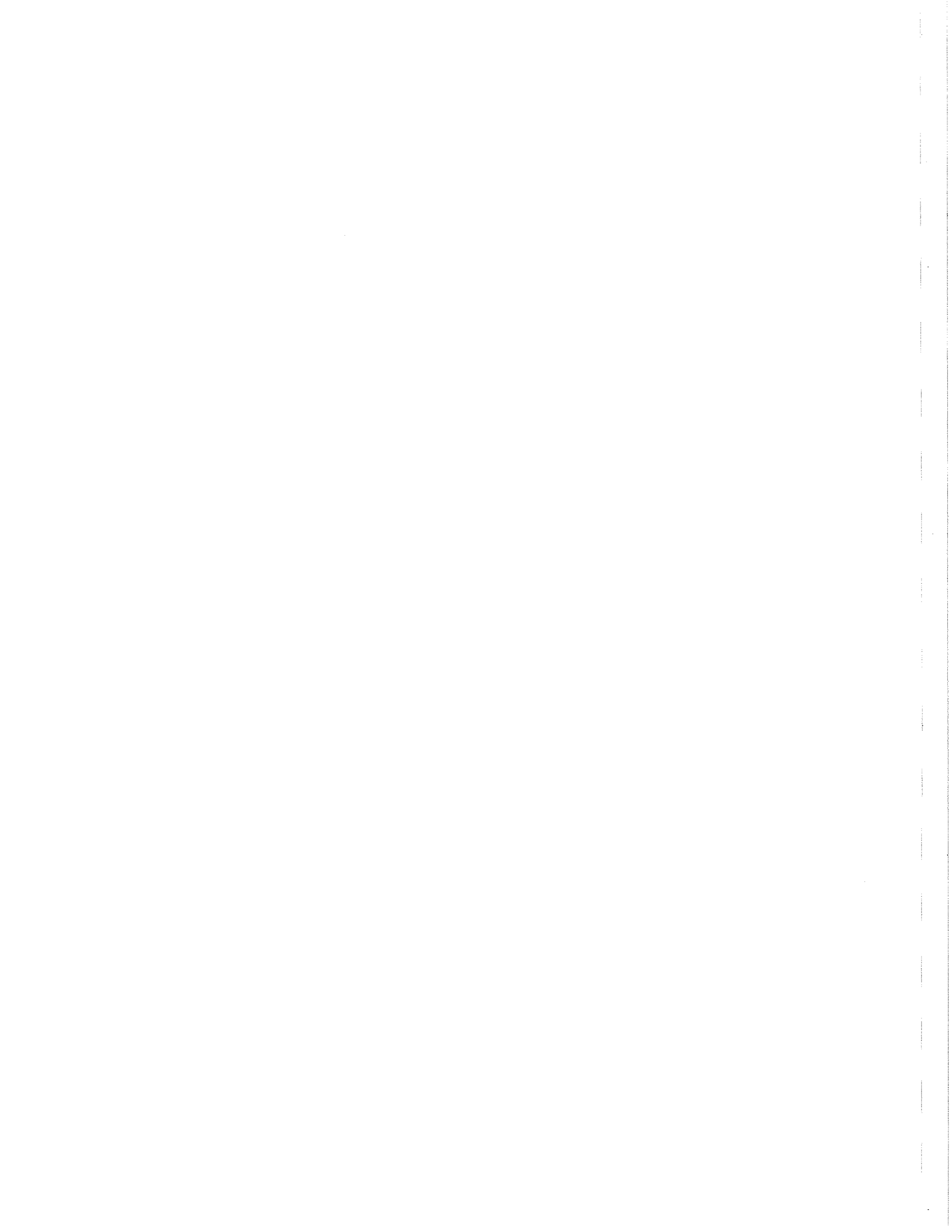
BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2008

	RDA General Debt Service	RDA Upright Debt Service	RDA Courthouse Capital Project
Assets:			
Cash and investments	\$ --	\$ --	\$ 264,225
Due from other agencies	35,000	--	--
Total Assets	<u>\$ 35,000</u>	<u>\$ --</u>	<u>\$ 264,225</u>
Liabilities:			
Cash deficit	\$ 1,332,972	\$ --	\$ --
Due to other agencies	137,034	--	--
Total Liabilities	<u>1,470,006</u>	<u>--</u>	<u>--</u>
Fund balances:			
Reserved fund balances:			
Reserved for debt service	36,615	(561,316)	--
Reserved for low-income housing	--	--	--
Reserved for capital projects	--	--	--
Unreserved	(1,471,621)	561,316	264,225
Unreserved, reported in nonmajor:			
Debt service funds	--	--	--
Total fund balances	<u>(1,435,006)</u>	<u>--</u>	<u>264,225</u>
Total Liabilities and Fund Balances	<u>\$ 35,000</u>	<u>\$ --</u>	<u>\$ 264,225</u>

The accompanying notes are an integral part of this statement.

RDA Housing Project Capital Project	RDA Industrial Park Capital Project	RDA Housing Bond Capital Project	Other Governmental Funds	Total Governmental Funds
\$ 901,737	\$ --	\$ 946,771	\$ 196,770	\$ 2,309,503
--	--	--	--	35,000
<u>\$ 901,737</u>	<u>\$ --</u>	<u>\$ 946,771</u>	<u>\$ 196,770</u>	<u>\$ 2,344,503</u>
\$ --	\$ 201,157	\$ --	\$ 160,338	\$ 1,694,467
11,709	1,253	--	--	149,996
<u>11,709</u>	<u>202,410</u>	<u>--</u>	<u>160,338</u>	<u>1,844,463</u>
--	--	--	115,251	(409,450)
258,503	--	--	--	258,503
--	(77,091)	--	--	(77,091)
631,525	(125,319)	946,771	--	806,897
--	--	--	(78,819)	(78,819)
<u>890,028</u>	<u>(202,410)</u>	<u>946,771</u>	<u>36,432</u>	<u>500,040</u>
<u>\$ 901,737</u>	<u>\$ --</u>	<u>\$ 946,771</u>	<u>\$ 196,770</u>	<u>\$ 2,344,503</u>



SELMA REDEVELOPMENT AGENCY**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Total fund balances - governmental funds balance sheet	\$ 500,040
Amounts reported for governmental activities in the statement of net assets are different because:	
Long-term receivables not in the funds	952,989
Payables for bond principal which are not due in the current period are not reported in the funds.	<u>(3,350,000)</u>
Net assets of governmental activities - statement of net assets	\$ <u>(1,896,971)</u>

The accompanying notes are an integral part of this statement.

SELMA REDEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	RDA General Debt Service	RDA Upright Debt Service	RDA Courthouse Capital Project
Revenue:			
Taxes	\$ 1,056,610	\$ --	\$ --
Revenue for use of money & property	(52,247)	8,123,641	--
Assessment payment	17,679	--	--
Miscellaneous	25,760	41,246	--
Total revenues	<u>1,047,802</u>	<u>8,164,887</u>	<u>--</u>
Expenditures:			
Community Development	519,930	--	--
Debt service:			
Principal	371,486	5,935,000	--
Interest and fiscal charges	119,771	2,791,203	--
Total expenditures	<u>1,011,187</u>	<u>8,726,203</u>	<u>--</u>
Excess (deficiency) of revenues over (under) expenditures	36,615	(561,316)	--
Other financing sources (uses):			
Operating transfers in	--	--	--
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	36,615	(561,316)	--
Fund balances/equity, July 1	(1,471,621)	561,316	264,225
Fund balances/equity, June 30	<u>\$ (1,435,006)</u>	<u>\$ --</u>	<u>\$ 264,225</u>

The accompanying notes are an integral part of this statement.

RDA Housing Project Capital Project	RDA Industrial Park Capital Project	RDA Housing Bond Capital Project	Other Governmental Funds	Total Governmental Funds
\$ 264,152	\$ --	\$ --	\$ --	\$ 1,320,762
46,881	--	--	345,186	8,463,461
1,080	--	--	59,000	77,759
120	--	--	--	67,126
<u>312,233</u>	<u>--</u>	<u>--</u>	<u>404,186</u>	<u>9,929,108</u>
10,944	70,895	--	1,566	603,335
42,786	6,196	--	70,000	6,425,468
--	--	--	240,436	3,151,410
<u>53,730</u>	<u>77,091</u>	<u>--</u>	<u>312,002</u>	<u>10,180,213</u>
258,503	(77,091)	--	92,184	(251,105)
--	--	--	46,351	46,351
<u>--</u>	<u>--</u>	<u>--</u>	<u>46,351</u>	<u>46,351</u>
258,503	(77,091)	--	138,535	(204,754)
631,525	(125,319)	946,771	(102,103)	704,794
<u>\$ 890,028</u>	<u>\$ (202,410)</u>	<u>\$ 946,771</u>	<u>\$ 36,432</u>	<u>\$ 500,040</u>

SELMA REDEVELOPMENT AGENCY

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, 2008

Net change in fund balances - total governmental funds	\$ (204,754)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	(3,070,994)
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	<u>3,158,938</u>
Change in net assets of governmental activities - statement of activities	\$ <u>(116,810)</u>

The accompanying notes are an integral part of this statement.

SELMA REDEVELOPMENT AGENCY

STATEMENT OF NET ASSETS

ENTERPRISE FUND

JUNE 30, 2008

Enterprise
Fund
Selma
Mfg. Complex
RDA

Assets:

Cash and investments

\$ 18,238

Total Assets

\$ 18,238

Liabilities:

Due to other agencies

\$ 3,257

Total Liabilities

3,257

Net Assets:

Unrestricted

14,981

Total Net Assets

\$ 14,981

The accompanying notes are an integral part of this statement.



SELMA REDEVELOPMENT AGENCY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Enterprise Fund Selma Mfg. Complex RDA
Operating Revenues:	
Revenue for use of money & property	\$ 12,269
Miscellaneous	577,910
Total Operating Revenues	<u>590,179</u>
Operating Expenses:	
Purchased professional and technical services	30,174
Other internal services	289,587
Capital outlay	3,961,818
Total Operating Expenses	<u>4,281,579</u>
Operating Income (Loss)	<u>(3,691,400)</u>
Transfers:	
Interfund operating transfers in	--
Interfund operating transfers out	--
Net income	(3,691,400)
Retained earnings/fund balances, July 1	<u>3,723,594</u>
Prior Period Adjustment	<u>(17,213)</u>
Retained earnings/fund balances, June 30	<u>\$ 14,981</u>

The accompanying notes are an integral part of this statement.

CITY OF SELMA**STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS**

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Manufacturing Complex</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 820,098
Cash Payments to Other Suppliers for Goods and Services	1,477,491
Net Cash Provided (Used) by Operating Activities	<u>(657,393)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 (657,393)
Cash and Cash Equivalents at Beginning of Year	675,631
Cash and Cash Equivalents at End of Year	<u>\$ 18,238</u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (3,691,400)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Loss on asset disposal	2,832,460
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	229,919
Increase (Decrease) in Accounts Payable	(28,372)
Total Adjustments	<u>3,034,007</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (657,393)</u>

The accompanying notes are an integral part of this statement.

SELMA REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

A. Summary of Significant Accounting Policies

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

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

Based on these criteria, the Agency has no component units. Additionally, the Agency is a component unit of the Agency 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. These statements distinguish between the governmental and business-type activities of the Agency. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Agency and for each function of the Agency'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 Agency 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.

SELMA REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

Fund Financial Statements: The fund financial statements provide information about the Agency's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The Agency reports the following major governmental funds:

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

The Agency reports the following major enterprise funds:

Selma Manufacturing Complex: This fund accounts for all of the transactions related to the development and leasing activity related to the Upright property the Agency took possession of.

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

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

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The Agency has chosen not to apply future FASB standards.

SELMA REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. 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 or the Agency.

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.

c. 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. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

SELMA REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

g. 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.

h. 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 Agency'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 Agency's agent bank approved pledged securities in an amount sufficient to protect Agency 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, 2008, the carrying amount of the Agency's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,852,926 and the bank balance was \$4,026,901. The Agency's cash deposits at June 30, 2008 and during the year ended June 30, 2008, were entirely covered by FDIC insurance or by pledged collateral held by the Agency's agent bank in the Agency's name.

SELMA REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the Agency 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 Agency 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 Agency'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 Agency's name.

At year end, the Agency 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 Agency 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 Agency 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 Agency was not exposed to foreign currency risk.

Investment Accounting Policy

The Agency'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 REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

D. Notes receivable

The Agency had the following receivables outstanding at June 30, 2008:

Gustavo Oscar Chavez, \$15,270 installment promissory note dated 12/20/95, secured by Deed of Trust, due in monthly installments with interest at 7%, due March 19, 2001, this note is in default.	\$ 13,305
Centerstage Partners, \$407,000 installment promissory note dated August 21, 1997, secured by Deed of Trust, due in monthly installments with interest at 8.5%, due on June 1, 2018.	296,774
Secure Storage, \$444,000 installment promissory note dated with varying dates, secured by Deed of Trust, due in quarterly installments with interest at 5.5%	358,411
Glacier Air, \$103,850 installment promissory note dated May 4, 2005 secured by Deed of Trust, due in quarterly installments with interest at 5% due in January 2020.	88,526
Selma Pallet, \$220,000 installment promissory note dated November 8, 2006, secured by Deed of Trust, due in quarterly installments with interest at 5.5% due in September 2023.	195,973
	<u>\$ 952,989</u>

E. Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,560,000	\$ --	\$ 1,560,000	\$ --
Total capital assets not being depreciated	<u>1,560,000</u>	<u>--</u>	<u>1,560,000</u>	<u>--</u>
Capital assets being depreciated:				
Buildings and improvements	16,009,182	--	16,009,182	--
Equipment	--	--	--	--
Vehicles	--	--	--	--
Total capital assets being depreciated	<u>16,009,182</u>	<u>--</u>	<u>16,009,182</u>	<u>--</u>
Less accumulated depreciation for:				
Buildings and improvements	14,722,766	--	14,722,766	--
Total accumulated depreciation	<u>14,722,766</u>	<u>--</u>	<u>14,722,766</u>	<u>--</u>
Total capital assets being depreciated, net	<u>30,731,948</u>	<u>--</u>	<u>30,731,948</u>	<u>--</u>
Business-type activities capital assets, net	<u>\$ 32,291,948</u>	<u>\$ --</u>	<u>\$ 32,291,948</u>	<u>\$ --</u>

Depreciation was charged to functions as follows:

General Government	\$ --
Selma Manufacturing Complex	533,639
	<u>\$ 533,639</u>

SELMA REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

F. 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, 2008, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 13,320,000	\$ --	\$ 6,500,000	\$ 6,820,000	325,000
Total governmental activities	\$ 13,640,000	\$ --	\$ 320,000	\$ 13,320,000	\$ 940,000

2. Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2007, are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2009	\$ 325,000	\$ 347,690	\$ 672,690
2010	340,000	332,691	672,691
2011	365,000	316,639	681,639
2012	365,000	299,566	664,566
2013	375,000	282,025	657,025
2014-2018	1,885,000	1,095,480	2,980,480
2019-2023	610,000	779,250	1,389,250
2024-2028	540,000	569,200	1,109,200
2029-2033	600,000	431,250	1,031,250
2034-2038	770,000	261,250	1,031,250
Thereafter	645,000	53,375	698,375
Totals	\$ 6,820,000	\$ 4,768,416	\$ 11,588,416

F. Bonds payable

A summary of changes in bonds payable for the year ended June 30, 2007 is as follows:

Description	Interest Rate Payable	Amount Original Issue	Outstanding June 30, 2006	Issued	Retired	Outstanding June 30, 2007
1992A	variable	\$ 570,000	\$ 355,000	\$ --	\$ 30,000	\$ 325,000
1994	11%	670,000	555,000	--	10,000	545,000
1994	variable	7,550,000	5,935,000	--	5,935,000	--
1994	7.25%	320,000	265,000	--	265,000	--
1997	variable	370,000	285,000	--	20,000	265,000
2001A	variable	2,750,000	2,535,000	--	200,000	2,335,000
Industrial Park	5%	3,561,890	3,390,000	--	40,000	3,350,000
			\$ 13,320,000	\$ --	\$ 6,500,000	\$ 6,820,000

SELMA REDEVELOPMENT AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

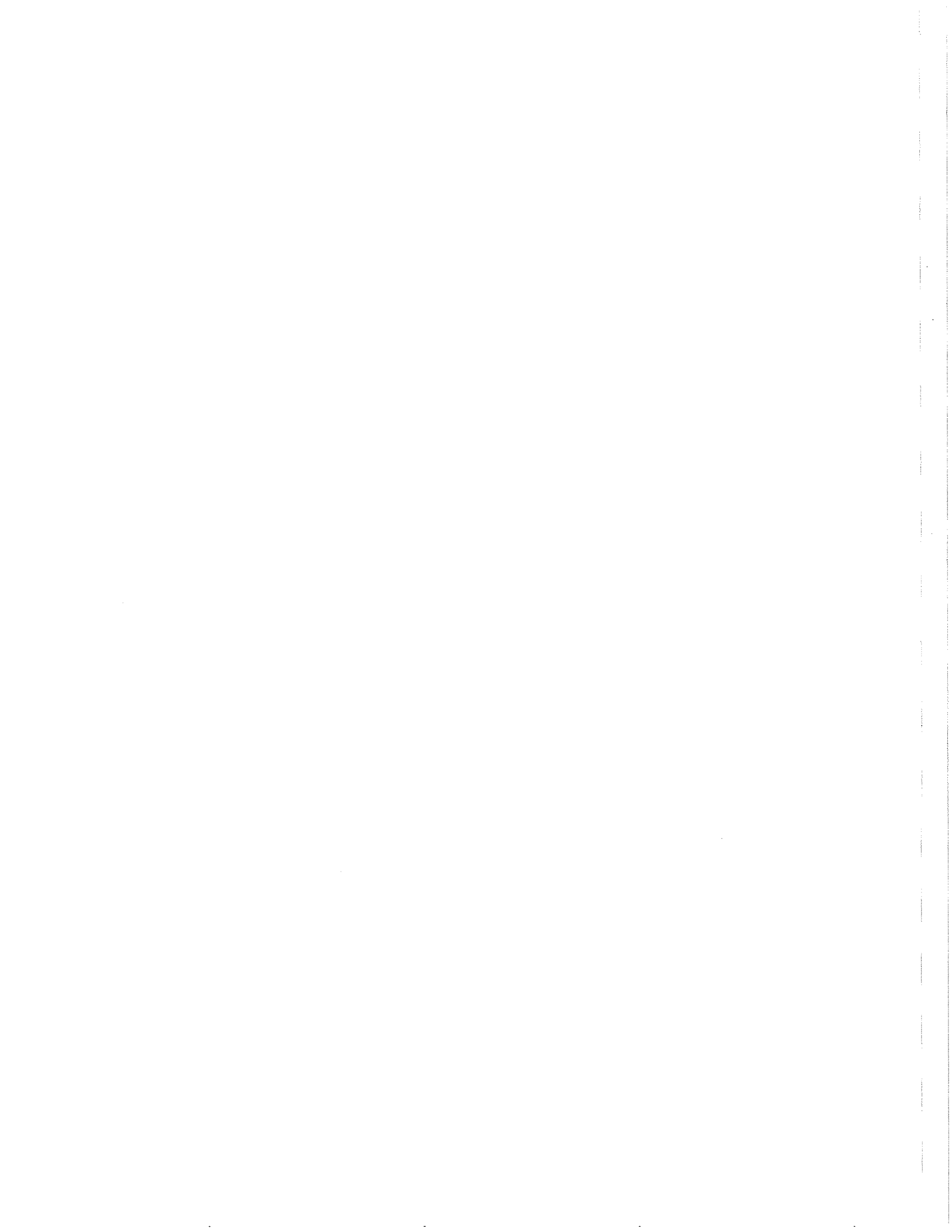
G. Commitments and Contingencies

1. Contingencies

The Agency 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 Agency 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 Agency, 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 Agency at June 30, 2008.

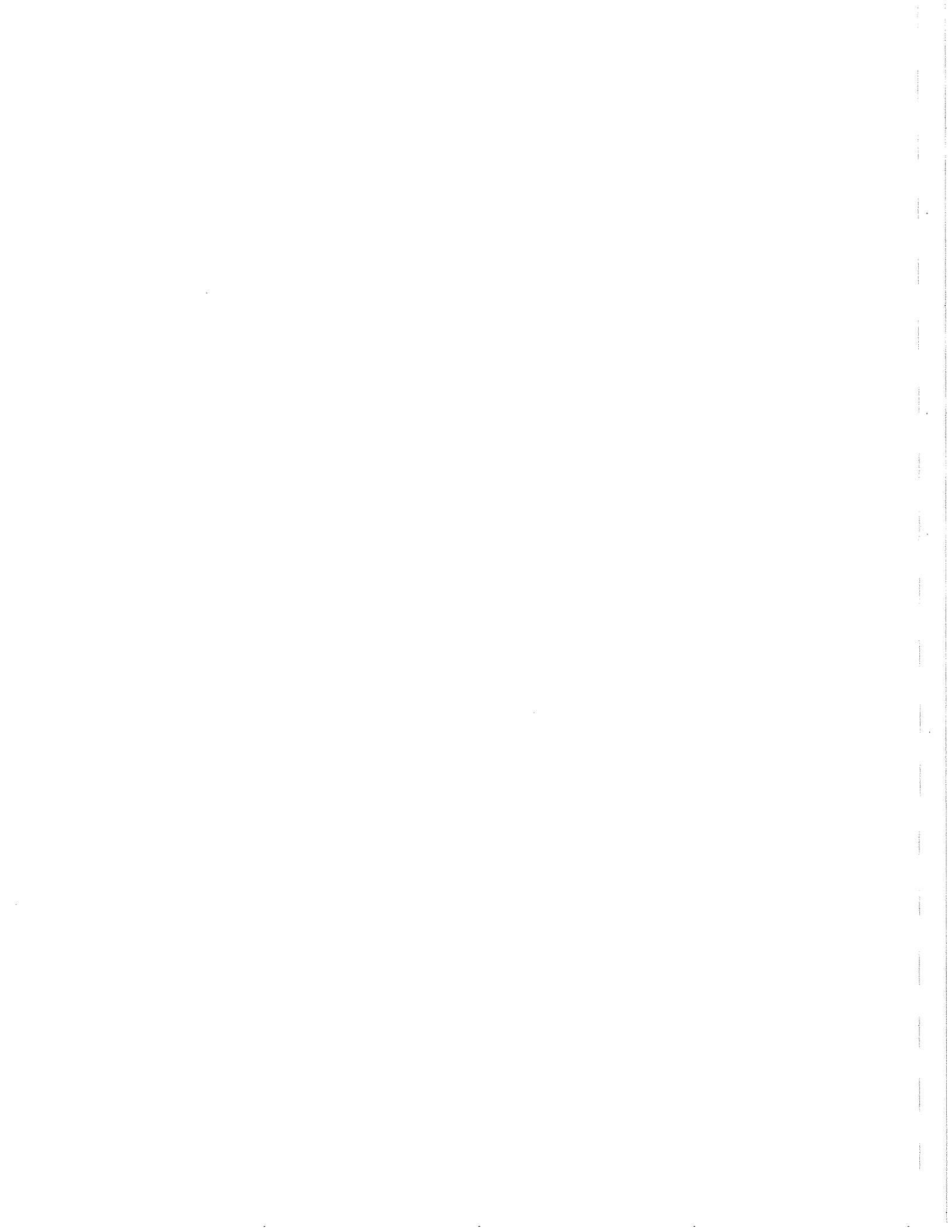


Required Supplementary Information

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.

Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.



SELMA REDEVELOPMENT AGENCY

COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 JUNE 30, 2008

	3071 RDA Theatre Debt Service	3091 RDA Industrial Park Debt Service	3201 RDA-Low Income Hsng. Debt Service	Total Nonmajor Debt Service Funds (See Exhibit A-3)
Assets:				
Cash and investments	\$ --	\$ --	\$ 196,770	\$ 196,770
Total Assets	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 196,770</u>	<u>\$ 196,770</u>
Liabilities:				
Cash deficit	\$ 39,339	\$ 120,999	\$ --	\$ 160,338
Total Liabilities	<u>39,339</u>	<u>120,999</u>	<u>--</u>	<u>160,338</u>
Fund balances:				
Reserved fund balances:				
Reserved for debt service	22,939	116,461	(24,149)	115,251
Unreserved, reported in nonmajor:				
Debt service funds	(62,278)	(237,460)	220,919	(78,819)
Total fund balances	<u>(39,339)</u>	<u>(120,999)</u>	<u>196,770</u>	<u>36,432</u>
Total Liabilities and Fund Balances	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 196,770</u>	<u>\$ 196,770</u>

SELMA REDEVELOPMENT AGENCY

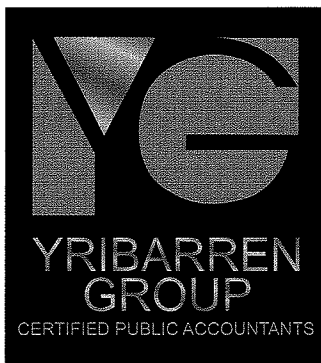
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	3041 RDA Upright-Coalinga Debt Service	3071 RDA Theatre Debt Service
Revenue:		
Revenue for use of money & property	\$ 23,284	\$ (2,473)
Assessment payment	--	59,000
Total revenues	<u>23,284</u>	<u>56,527</u>
Expenditures:		
Community Development	--	320
Debt service:		
Principal	--	20,000
Interest and fiscal charges	--	13,268
Total expenditures	<u>--</u>	<u>33,588</u>
Excess (deficiency) of revenues over (under) expenditures	23,284	22,939
Other financing sources (uses):		
Operating transfers in	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	23,284	22,939
Fund balances/equity, July 1	(23,284)	(62,278)
Fund balances/equity, June 30	<u>\$ --</u>	<u>\$ (39,339)</u>

3091 RDA Industrial Park Debt Service	3201 RDA-Low Income Hsng. Debt Service	Total Nonmajor Debt Service Funds (See Exhibit A-5)
\$ 324,375	\$ --	\$ 345,186
--	--	59,000
<u>324,375</u>	<u>--</u>	<u>404,186</u>
1,246	--	1,566
40,000	10,000	70,000
166,668	60,500	240,436
<u>207,914</u>	<u>70,500</u>	<u>312,002</u>
116,461	(70,500)	92,184
--	46,351	46,351
<u>--</u>	<u>46,351</u>	<u>46,351</u>
116,461	(24,149)	138,535
(237,460)	220,919	(102,103)
<u>\$ (120,999)</u>	<u>\$ 196,770</u>	<u>\$ 36,432</u>

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.



Steven B. Yribarren, CPA

Nancy R. Tutschulte, CPA

Sue Magoon, CPA

December 31, 2008

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 Directors
Selma Redevelopment Agency
Selma, California

Members of the Board of Directors:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Selma Redevelopment Agency as of and for the year ended June 30, 2008, which collectively comprise the Selma Redevelopment Agency' basic financial statements and have issued our report thereon dated December 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Selma Redevelopment Agency' 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 Redevelopment Agency' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Selma Redevelopment Agency' internal control over financial reporting. A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Selma Redevelopment Agency' ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Selma Redevelopment Agency' financial statements that is more than inconsequential will not be prevented by the Selma Redevelopment Agency' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Selma Redevelopment Agency' internal control.


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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Selma Redevelopment Agency' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Respectfully submitted,


Yribarren Group
Certified Public Accountant

