

**SELMA REDEVELOPMENT AGENCY**

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**FINANCIAL STATEMENT  
WITH  
INDEPENDENT AUDITORS' REPORT**

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**YEAR ENDED JUNE 30, 2011**

**SELMA REDEVELOPMENT AGENCY**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2011**

## Introductory Section

Selma Redevelopment Agency  
Annual Financial Report  
For The Year Ended June 30, 2011

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## Financial Section



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December 22, 2011

Board of Directors  
Selma Redevelopment Agency  
Selma, California

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Selma Redevelopment Agency as of and for the year ended June 30, 2011, 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Selma Redevelopment Agency as of June 30, 2011, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2011, on our consideration of Selma Redevelopment Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Selma Redevelopment Agency

December 22, 2011

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

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

*Sampson, Sampson and Partners, LLP*

# SELMA REDEVELOPMENT AGENCY

Managements' Discussion and Analysis

JUNE 30, 2011

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

## FINANCIAL HIGHLIGHTS

- The Agency's total assets are \$4,074,361. The Agency's liabilities are \$9,436,612.
- During the year the Agency's total revenues were \$779,607. Total expenses were \$2,217,287.

## 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.

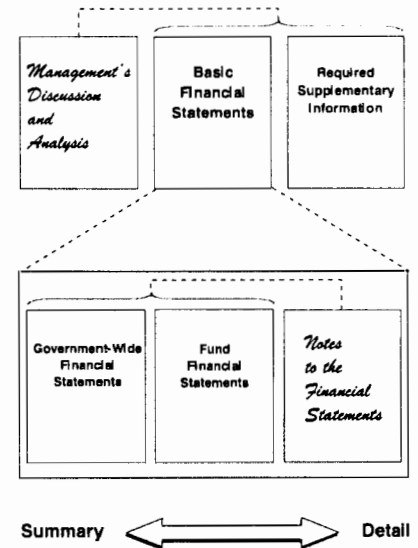
The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.

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, 2011

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 Steven Yribarren, Financial Consultant, at the City of Selma.

## Basic Financial Statements

**SELMA REDEVELOPMENT AGENCY**

## STATEMENT OF NET ASSETS

JUNE 30, 2011

	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
Cash and investments	\$ 805,399	\$ --	\$ 805,399
Cash with fiscal agent	360,000	--	360,000
Notes receivable	851,964	--	851,964
Due from other agencies	200,186	--	200,186
Fixed assets ( net, where applicable, of accumulated depreciation)	321,875	--	321,875
Notes receivable	851,964	--	851,964
<b>Total Assets</b>	<u>3,391,388</u>	<u>--</u>	<u>3,391,388</u>
<b>Liabilities:</b>			
Deferred revenue	851,964	--	851,964
Due to other agencies	576,675	--	576,675
Noncurrent liabilities:	--	--	--
Due within one year	65,000	--	65,000
Due in more than one year	7,260,000	--	7,260,000
<b>Total Liabilities</b>	<u>8,753,639</u>	<u>--</u>	<u>8,753,639</u>
<b>NET ASSETS</b>			
Restricted For:			
Debt Service	62,423	--	62,423
Capital Projects	61,631	--	61,631
Low-income housing	2,082,450	--	2,082,450
Unrestricted	(7,568,755)	--	(7,568,755)
<b>Total Net Assets</b>	<u>\$ (5,362,251)</u>	<u>\$ --</u>	<u>\$ (5,362,251)</u>

The accompanying notes are an integral part of this statement.

**SELMA REDEVELOPMENT AGENCY**

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Assets		
		Governmental Activities	Business-type Activities	Total
<b>Expenditures:</b>				
Community Development	1,205,287	(1,205,287)		(1,205,287)
Debt service:	1,012,000	(1,012,000)		(1,012,000)
Total expenditures	<u>2,217,287</u>	<u>(2,217,287)</u>		<u>(2,217,287)</u>
<b>Business-type Activities:</b>				
Total Primary Government	<u>\$ 2,217,287</u>	<u>(2,217,287)</u>	<u>--</u>	<u>(2,217,287)</u>
<b>General Revenues:</b>				
Taxes		1,388,946	--	1,388,946
Loss on property dispositions		(658,505)	--	(658,505)
Revenue for use of money & property		39,405	--	39,405
Assessment Payments		56,630	--	56,630
Miscellaneous		(46,869)	--	(46,869)
Transfers		--	--	--
Total General Revenues and Transfers		<u>779,607</u>	<u>--</u>	<u>779,607</u>
Change in Net Assets		<u>(1,437,680)</u>	<u>--</u>	<u>(1,437,680)</u>
Net Assets - Beginning		<u>(3,924,571)</u>	<u>--</u>	<u>(3,924,571)</u>
Net Assets - Ending		<u>\$ (5,362,251)</u>	<u>\$ --</u>	<u>\$ (5,362,251)</u>

The accompanying notes are an integral part of this statement.

**SELMA REDEVELOPMENT AGENCY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

	<u>RDA General Debt Service</u>	<u>RDA Industrial Park Debt Service</u>
<b>Assets:</b>		
Cash and investments	\$ --	\$ --
Cash with fiscal agent	360,000	--
Accounts receivables	851,964	--
Due from other funds	--	--
Due from other agencies	200,186	--
<b>Total Assets</b>	<u>\$ 1,412,150</u>	<u>\$ --</u>
<b>Liabilities:</b>		
Accounts payable	\$ 851,964	\$ --
Due to other funds	894,868	517,739
Due to other agencies	565,173	--
<b>Total Liabilities</b>	<u>2,312,005</u>	<u>517,739</u>
<b>Fund balances:</b>		
Assigned, reported in:		
Debt service funds	--	--
Capital projects funds	--	--
Unassigned	(899,855)	(517,739)
Restricted, reported in:		
Low-income housing funds	--	--
<b>Total fund balances</b>	<u>(899,855)</u>	<u>(517,739)</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,412,150</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

RDA Housing Project Capital Project	RDA Housing Bond Capital Project	Other Governmental Funds	Total Governmental Funds
\$ 266,917	\$ 211,834	\$ 326,648	\$ 805,399
--	--	--	360,000
--	--	--	851,964
880,264	734,937	--	1,615,201
--	--	--	200,186
<u>\$ 1,147,181</u>	<u>\$ 946,771</u>	<u>\$ 326,648</u>	<u>\$ 3,832,750</u>
\$ --	\$ --	\$ --	\$ 851,964
--	--	202,594	1,615,201
11,502	--	--	576,675
<u>11,502</u>	<u>--</u>	<u>202,594</u>	<u>3,043,840</u>
--	--	62,423	62,423
--	--	264,225	264,225
--	--	(202,594)	(1,620,188)
1,135,679	946,771	--	2,082,450
<u>1,135,679</u>	<u>946,771</u>	<u>124,054</u>	<u>788,910</u>
<u>\$ 1,147,181</u>	<u>\$ 946,771</u>	<u>\$ 326,648</u>	<u>\$ 3,832,750</u>

**SELMA REDEVELOPMENT AGENCY**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2011**

Total fund balances - governmental funds balance sheet	\$ 788,910
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	321,875
Payables for bond principal which are not due in the current period are not reported in the funds.	(7,325,000)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	851,965
Rounding difference	<u>(1)</u>
Net assets of governmental activities - Statement of Net Assets	<u>\$ (5,362,251)</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, 2011

	RDA General Debt Service	RDA Industrial Park Debt Service
Revenue:		
Taxes	\$ 1,111,166	\$ --
Franchise fees	--	39,828
Revenue for use of money & property	(4,025)	34,087
Assessment payment	--	--
Miscellaneous	46,688	--
Total revenues	<u>1,153,829</u>	<u>73,915</u>
Expenditures:		
Community Development	949,417	--
Debt service:		
Principal	2,340,000	45,000
Interest and fiscal charges	780,502	160,518
Total expenditures	<u>4,069,919</u>	<u>205,518</u>
Excess (deficiency) of revenues over (under) expenditures	(2,916,090)	(131,603)
Other financing sources (uses):		
Proceeds from bonds	3,600,000	--
Total other financing sources (uses)	<u>3,600,000</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	683,910	(131,603)
Fund balances/equity, July 1	(1,583,765)	(386,136)
Fund balances/equity, June 30	<u>\$ (899,855)</u>	<u>\$ (517,739)</u>

The accompanying notes are an integral part of this statement.



RDA Housing Project Capital Project	RDA Housing Bond Capital Project	Other Governmental Funds	Total Governmental Funds
\$ 277,780	\$ --	\$ --	\$ 1,388,946
--	--	--	39,828
5,051	--	4,292	39,405
1,080	--	55,550	56,630
120	--	--	46,808
<u>284,031</u>	<u>--</u>	<u>59,842</u>	<u>1,571,617</u>
255,870	--	--	1,205,287
30,000	--	15,000	2,430,000
13,329	--	57,651	1,012,000
<u>299,199</u>	<u>--</u>	<u>72,651</u>	<u>4,647,287</u>
(15,168)	--	(12,809)	(3,075,670)
--	--	--	3,600,000
<u>--</u>	<u>--</u>	<u>--</u>	<u>3,600,000</u>
(15,168)	--	(12,809)	524,330
1,150,847	946,771	136,863	264,580
<u>\$ 1,135,679</u>	<u>\$ 946,771</u>	<u>\$ 124,054</u>	<u>\$ 788,910</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, 2011

Net change in fund balances - total governmental funds	\$ 524,330
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Loss on the disposition of capital assets are recognized in the SOA but not in the funds	(698,333)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	2,430,000
Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds.	(93,677)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	<u>(3,600,000)</u>
Change in net assets of governmental activities - Statement of Activities	<u>\$ (1,437,680)</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, 2011

**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 City of Selma as defined by the GASB Statement.

**2. Basis of Presentation, Basis of Accounting**

**a. Basis of Presentation**

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government. Eliminations been made to minimize the double-counting of internal activities. 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, 2011

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.

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, 2011

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 for 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.

e. Receivable and Payable Balances

The Agency 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.

i. 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 spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed Fund Balance** - represents amounts that can only be used for a specific purpose because of a formal action by the Agency's Board of Directors. Committed amounts cannot be used for any other purpose unless the Board of Directors 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 Directors. 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.

**SELMA REDEVELOPMENT AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Assigned Fund Balance - represents amounts which the Agency 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 Directors or by an official or body to which the Board of Directors 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 Agency 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 Agency considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Agency 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.

**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>
RDA General debt service	\$ (899,855)	Retain future excess revenues
RDA Industrial park debt service	(517,739)	Retain future excess revenues
RDA Industrial park capital project	(202,594)	Retain future excess revenues

**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.

**SELMA REDEVELOPMENT AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

Cash Deposits:

At June 30, 2011, the carrying amount of the Agency's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$805,399 and the bank balance was \$805,399. The Agency's cash deposits at June 30, 2011 and during the year ended June 30, 2011, were entirely covered by FDIC insurance or by pledged collateral held by the Agency's agent bank in the Agency's name.

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, 2011**

D. Notes receivable

The Agency had the following receivables outstanding at June 30, 2011:

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.		196,293
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%		314,745
Farmer in the Dill, LP, \$117,810 installment promissory note dated April 30, 2007, secured by Deed of Trust, due in quarterly installments with interest at 5.5%		95,176
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.		70,738
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.		161,707
	<u>\$</u>	<u>851,964</u>

E. Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 846,875	\$ --	\$ 525,000	\$ 321,875
Total capital assets not being depreciated	<u>846,875</u>	<u>--</u>	<u>525,000</u>	<u>321,875</u>
Capital assets being depreciated:				
Buildings and improvements	200,000	--	200,000	--
Total capital assets being depreciated	<u>200,000</u>	<u>--</u>	<u>200,000</u>	<u>--</u>
Less accumulated depreciation for:				
Buildings and improvements	(26,667)	--	(26,667)	--
Total accumulated depreciation	<u>(26,667)</u>	<u>--</u>	<u>(26,667)</u>	<u>--</u>
Total capital assets being depreciated, net	<u>173,333</u>	<u>--</u>	<u>173,333</u>	<u>--</u>
Governmental activities capital assets, net	<u>\$ 1,020,208</u>	<u>\$ --</u>	<u>\$ 698,333</u>	<u>\$ 321,875</u>



**SELMA REDEVELOPMENT AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

F. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2011, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
RDA Housing Project	RDA General debt service	\$ 880,264	Short-term loans
RDA Housing Bond	RDA General debt service	14,604	Short-term loans
RDA Housing Bond	RDA Industrial Park Bond	517,739	Short-term loans
RDA Housing Bond	RDA Capital Projects	202,594	Short-term loans
	Total	<u>\$ 1,615,201</u>	

All amounts due are scheduled to be repaid within one year.

G. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2011, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$ 6,155,000	\$ 3,600,000	\$ 2,430,000	\$ 7,325,000	65,000
Total governmental activities	<u>\$ 6,155,000</u>	<u>\$ 3,600,000</u>	<u>\$ 2,430,000</u>	<u>\$ 7,325,000</u>	<u>\$ 65,000</u>

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

2. Debt Service Requirements

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

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 65,000	\$ 390,463	\$ 455,463
2013	70,000	385,888	455,888
2014	310,000	377,533	687,533
2015	325,001	364,647	689,648
2016	335,000	349,737	684,737
2017-2021	1,954,999	1,461,889	3,416,888
2022-2026	2,045,000	812,774	2,857,774
2027-2031	550,000	488,750	1,038,750
2032-2036	695,000	334,375	1,029,375
2037-2041	975,000	134,625	1,109,625
Totals	<u>\$ 7,325,000</u>	<u>\$ 5,100,681</u>	<u>\$ 12,425,681</u>

**SELMA REDEVELOPMENT AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**Bonds payable**

A summary of changes in bonds payable for the year ended June 30, 2011 is as follows:

Description	Interest Rate Payable	Amount Original Issue	Outstanding June 30, 2010	Issued	Retired	Outstanding June 30, 2011
1994	11%	\$ 670,000	\$ 515,000	\$ --	\$ 15,000	\$ 500,000
2004A	variable	570,000	265,000	--	265,000	--
2004A	variable	320,000	215,000	--	215,000	--
2001A	variable	2,750,000	1,890,000	--	1,890,000	--
2010A	variable	3,600,000	--	3,600,000	--	3,600,000
Industrial Park	5%	3,561,890	3,270,000	--	45,000	3,225,000
			<u>\$ 6,155,000</u>	<u>\$ 3,600,000</u>	<u>\$ 2,430,000</u>	<u>\$ 7,325,000</u>

1. **1994 Revenue Bonds.**

On March 15, 1994, the Selma Public Financing Authority issued \$670,000 of Selma Redevelopment Agency bonds bearing interest of 11%. Payable semi-annually on March 15 and September 15, commencing September 15, 1994. The bonds mature annually at various amounts through September 15, 2023 and were used to finance projects in the Project Area.

2. **2010A Tax Allocation Bonds**

On August 12, 2010, the Selma Redevelopment Agency issued \$3,600,000 Tax Allocation Bonds bearing interest at 2.875% to 5.75% payable semi-annually on March 1 and September 1 commencing March 1, 2011. The bonds mature annually at various amounts through September 1, 2023 and are subject to optimal redemptions prior to maturity, in whole or in part, on September 1, 2017. The bonds are payable from and secured by incremental tax revenues (Pledged Tax Revenues). The bond proceeds were used to refund certain outstanding Agency obligations, for funding a reserve account for the bonds and for paying the cost of issuance of the bonds.

The bonds are being issued to refund the Agency's previously issued 2001 Sublease Agreement between the Agency and the City in the amount of \$1,890,000 and the 2004 Series A Refunding Bonds in the amount of \$480,000. As a result the Agency's 2001A and 2004A Revenue Bonds are considered to be defeased and the liability for those bonds had been removed from the long-term liabilities of the governmental activities.

The aggregate debt service payments of the new debt is \$876,183 more than the old debt. The issuance of the new debt and refunding of the old debt resulted in the economic gain (the difference between the present value of the old debt and new debt payments) of approximately \$936,868.

3. **Industrial Park Improvement Bonds.**

On February 1, 2001, the USDA issued \$3,561,890 of Industrial Park Limited Obligation Improvement Bonds and subsequently loaned the proceeds to the Selma Redevelopment Agency bearing interest of 5% payable semi-annually on March 2 and September 2. The principal amount is payable annually at various amounts through September 2, 2040 the proceeds were used to finance projects in the City's Industrial Park.

**SELMA REDEVELOPMENT AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

H. Commitments and Contingencies

1. Litigation

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

I. Subsequent Events

On June 29, 2011, the Governor of the State of California signed Assembly Bills X1 26 and 27 as part of the State's budget package. Assembly Bill X1 26 requires each California redevelopment agency to suspend nearly all activities except to implement existing contracts, meet already-incurred obligations, preserve its assets and prepare for the impending dissolution of the agency. Assembly Bill X1 27 provides a means for redevelopment agencies to continue to exist and operate by means of a Voluntary Alternative Redevelopment Program. Under this program, each city would adopt an ordinance agreeing to make certain payments to the County Auditor Controller in fiscal year 2011-12 and annual payments each fiscal year thereafter. Assembly bill X1 26 indicates that the city "may use any available funds not otherwise obligated for other uses" to make this payment. The City of Selma intends to use available monies of its redevelopment agency for this purpose and the City and Agency have approved a reimbursement agreement to accomplish that objective.

Management believes that the Agency will have sufficient funds to pay its obligations as they become due during the fiscal year ending June 30, 2012. The nature and extent of the operation of redevelopment agencies in the State of California beyond that time frame are dependent upon the outcome of litigation surrounding the actions of the state. In the event that Assembly Bills X1 26 and/or 27 are specifically found by the courts to be unconstitutional, there is a possibility that future legislative acts may create new challenges to the ability of redevelopment agencies in the State of California to continue in view of the California State Legislature's stated intent to eliminate California redevelopment agencies to reduce their funding.

The issue is being litigated by the California Redevelopment Association and other parties with hope that this will be considered unconstitutional. The court's decision is currently being appealed and the outcome should be known no later than January 15, 2012.

## Combining Statements 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 GOVERNMENTAL FUNDS

JUNE 30, 2011

	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>Assets:</b>			
Cash and investments	\$ 62,423	\$ 264,225	\$ 326,648
Total Assets	<u>\$ 62,423</u>	<u>\$ 264,225</u>	<u>\$ 326,648</u>
<b>Liabilities:</b>			
Due to other funds	\$ --	\$ 202,594	\$ 202,594
Total Liabilities	<u>--</u>	<u>202,594</u>	<u>202,594</u>
<b>Fund balances:</b>			
Assigned, reported in:			
Debt service funds	62,423	--	62,423
Capital projects funds	--	264,225	264,225
Unassigned	--	(202,594)	(202,594)
Restricted, reported in:			
Total fund balances	<u>62,423</u>	<u>61,631</u>	<u>124,054</u>
Total Liabilities and Fund Balances	<u>\$ 62,423</u>	<u>\$ 264,225</u>	<u>\$ 326,648</u>

**SELMA REDEVELOPMENT AGENCY**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:			
Revenue for use of money & property	\$ 4,292	\$ --	\$ 4,292
Assessment payment	55,550	--	55,550
Total revenues	<u>59,842</u>	<u>--</u>	<u>59,842</u>
Expenditures:			
Debt service:			
Principal	15,000	--	15,000
Interest and fiscal charges	57,651	--	57,651
Total expenditures	<u>72,651</u>	<u>--</u>	<u>72,651</u>
Excess (deficiency) of revenues over (under) expenditure	(12,809)	--	(12,809)
Other financing sources (uses):			
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(12,809)	--	(12,809)
Fund balances/equity, July 1	75,232	61,631	136,863
Fund balances/equity, June 30	<u>\$ 62,423</u>	<u>\$ 61,631</u>	<u>\$ 124,054</u>

**SELMA REDEVELOPMENT AGENCY**

COMBINING BALANCE SHEET  
 NONMAJOR DEBT SERVICE FUNDS  
 JUNE 30, 2011

	3071 RDA Theatre Debt Service	3201 RDA-Low Income Hsng. Debt Service	Total Nonmajor Debt Service Funds (See Exhibit B-1)
<b>Assets:</b>			
Cash and investments	\$ 53,092	\$ 9,331	\$ 62,423
<b>Total Assets</b>	<u>\$ 53,092</u>	<u>\$ 9,331</u>	<u>\$ 62,423</u>
<b>Liabilities:</b>			
<b>Fund balances:</b>			
Assigned, reported in:			
Debt service funds	\$ 53,092	\$ 9,331	\$ 62,423
Restricted, reported in:			
<b>Total fund balances</b>	<u>53,092</u>	<u>9,331</u>	<u>62,423</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 53,092</u>	<u>\$ 9,331</u>	<u>\$ 62,423</u>

**SELMA REDEVELOPMENT AGENCY**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR DEBT SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	3071 RDA Theatre Debt Service	3201 RDA-Low Income Hsng. Debt Service	Total Nonmajor Debt Service Funds (See Exhibit B-2)
Revenue:			
Revenue for use of money & property	\$ 84	\$ 4,208	\$ 4,292
Assessment payment	55,550	--	55,550
Total revenues	<u>55,634</u>	<u>4,208</u>	<u>59,842</u>
Expenditures:			
Debt service:			
Principal	--	15,000	15,000
Interest and fiscal charges	1,826	55,825	57,651
Total expenditures	<u>1,826</u>	<u>70,825</u>	<u>72,651</u>
Excess (deficiency) of revenues over (under) expenditur	53,808	(66,617)	(12,809)
Other financing sources (uses):			
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	53,808	(66,617)	(12,809)
Fund balances/equity, July 1	(716)	75,948	75,232
Fund balances/equity, June 30	<u>\$ 53,092</u>	<u>\$ 9,331</u>	<u>\$ 62,423</u>



**SELMA REDEVELOPMENT AGENCY**

COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECTS FUNDS  
 JUNE 30, 2011

	4021 RDA Courthouse Capital Project	4121 RDA Industrial Park Capital Project	Total Nonmajor Capital Projects Funds (See Exhibit B-1)
<b>Assets:</b>			
Cash and investments	\$ 264,225	\$ --	\$ 264,225
<b>Total Assets</b>	<u>\$ 264,225</u>	<u>\$ --</u>	<u>\$ 264,225</u>
<b>Liabilities:</b>			
Due to other funds	\$ --	\$ 202,594	\$ 202,594
<b>Total Liabilities</b>	<u>--</u>	<u>202,594</u>	<u>202,594</u>
<b>Fund balances:</b>			
Assigned, reported in:			
Capital projects funds	264,225	--	264,225
Unassigned	--	(202,594)	(202,594)
Restricted, reported in:			
<b>Total fund balances</b>	<u>264,225</u>	<u>(202,594)</u>	<u>61,631</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 264,225</u>	<u>\$ --</u>	<u>\$ 264,225</u>

**SELMA REDEVELOPMENT AGENCY**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	4021 RDA Courthouse Capital Project	4121 RDA Industrial Park Capital Project	Total Nonmajor Capital Projects Funds (See Exhibit B-2)
Revenue:			
Total revenues	\$    --	\$    --	\$    --
Expenditures:			
Total expenditures	--	--	--
Excess (deficiency) of revenues over (under) expenditures	--	--	--
Other financing sources (uses):			
Total other financing sources (uses)	--	--	--
Excess of revenues and other financing sources over (under) expenditures and other financing uses	--	--	--
Fund balances/equity, July 1	264,225	(202,594)	61,631
Fund balances/equity, June 30	<u>\$ 264,225</u>	<u>\$ (202,594)</u>	<u>\$ 61,631</u>

## Additional Auditors' Reports



December 22, 2011

Board of Directors  
Selma Redevelopment Agency  
Selma, California

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

We have audited the financial statements of the Redevelopment Agency of the City of Selma, California (the "Agency"); a component unit of the City of Selma as of and for the year ended June 30, 2011, and have issued our report thereon dated December 22, 2011. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, Section 33080.1(a) of the Health and Safety Code of the State of California and the procedures contained in the Controller of the State of California "*Guidelines for Compliance Audits of California Redevelopment Agencies*."

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Selma Redevelopment Agency

December 22, 2011

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### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Selma Redevelopment Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. Such provisions include those provisions of laws and regulations identified in the *Guidelines of Compliance Audits of California Redevelopment Agencies, 2001* issued by the State Controller and as interpreted in the *Suggested Auditing Procedures for Accomplishing compliance Audits of California Redevelopment Agencies, August, 2011*, issued by the Governmental Accounting and Auditing Committee of the California Society of Certified Public Accountants. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

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

*Sampson, Sampson and Partners, LLP*