

**COUNTY OF FRESNO
AMERICAN AVENUE DISPOSAL SITE
ENTERPRISE FUND**

Independent Auditor's Reports and
Financial Statements

For the Year Ended
June 30, 2007

COUNTY OF FRESNO
AMERICAN AVENUE DISPOSAL SITE ENTERPRISE FUND
June 30, 2007

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of Fresno, California

We have audited the accompanying financial statements of the American Avenue Disposal Site Enterprise Fund of the County of Fresno, California, as of and for the year ended June 30, 2007. These financial statements are the responsibility of the management of the County of Fresno, California. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

As discussed in Note 1, the financial statements present only the American Avenue Disposal Site Enterprise Fund and do not purport to, and do not, present fairly the financial position of County of Fresno, California, as of June 30, 2007, and the changes in its financial position or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Avenue Disposal Site Enterprise Fund of the County of Fresno, California, at June 30, 2007, and the results of its operations and cash flows 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 4, 2007, on our consideration of the County of Fresno's internal control over financial reporting as it relates to the American Avenue Disposal Site Enterprise Fund and 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 read in conjunction with this report in considering the results of our audit.

The American Avenue Disposal Site Enterprise Fund of the County of Fresno, California, has not presented the management's discussion and analysis that accounting principles generally accepted in the United States has determined is required supplementary information, although not required to be part of, the basic financial statements.

Price Paige & Company

December 31, 2007

COUNTY OF FRESNO
AMERICAN AVENUE DISPOSAL SITE ENTERPRISE FUND
BALANCE SHEET
June 30, 2007

ASSETS

Current assets:

Cash and cash equivalents	\$ 34,701,086
Restricted cash and investments	34,061,747
Accounts receivable, net of allowance for doubtful accounts of \$5,397	1,800,154
Interest receivable	852,173
Due from the County of Fresno	2,580
Supplies inventory	<u>7,680</u>

Total current assets	<u>71,425,420</u>
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Capital assets:

Nondepreciable:

Construction in progress	40,211,466
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Depreciable:

Structure and improvements	4,343,073
Buildings	3,775,274
Machinery and equipment	13,011,820
Less accumulated depreciation	<u>(23,583,927)</u>

Total capital assets, net	<u>37,757,706</u>
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Total assets	<u>\$ 109,183,126</u>
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COUNTY OF FRESNO
AMERICAN AVENUE DISPOSAL SITE ENTERPRISE FUND
BALANCE SHEET
June 30, 2007

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and accrued expenses	\$ 254,816
Salaries and benefits payable	60,014
Due to the County of Fresno	1,051,274
Due to other governmental units; includes sales and use tax payable	298,622
Compensated absences payable	<u>22,024</u>

Total current liabilities	<u>1,686,750</u>
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Long-term liabilities:

Compensated absences payable	29,559
Closure and postclosure care liability	<u>18,984,403</u>

Total long-term liabilities	<u>19,013,962</u>
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Total liabilities	<u>20,700,712</u>
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Net assets:

Invested in capital assets	37,757,706
Restricted	16,600,760
Unrestricted	<u>34,123,948</u>

Total net assets	<u>88,482,414</u>
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Total liabilities and net assets	<u>\$ 109,183,126</u>
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COUNTY OF FRESNO
AMERICAN AVENUE DISPOSAL SITE ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
For the Year Ended June 30, 2007

OPERATING REVENUES

Charges for services	\$ 10,810,651
Other	<u>109,758</u>

Total operating revenues	<u>10,920,409</u>
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OPERATING EXPENSES

Salaries and benefits	1,473,888
Special departmental	1,897,936
Professional services	2,458,330
Repairs and maintenance	1,944,329
Rents and leases	150,925
General and administrative	470,165
Insurance	57,412
Utilities	63,888
Closure and postclosure care costs	1,596,921
Depreciation and depletion	<u>1,831,648</u>

Total operating expenses	<u>11,945,442</u>
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Operating loss	<u>(1,025,033)</u>
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NONOPERATING REVENUES (EXPENSES)

Interest income	3,432,441
Other expenses	(465,604)
Other revenues	<u>16,864</u>

Total nonoperating revenues (expenses)	<u>2,983,701</u>
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Other financing uses:

Transfers out to Primary Government	<u>(86,448)</u>
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Total other financing uses	<u>(86,448)</u>
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Change in net assets	1,872,220
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Net assets - beginning, as adjusted	<u>86,610,194</u>
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Net assets - ending	<u>\$ 88,482,414</u>
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The notes to the financial statements are an integral part of this statement.

COUNTY OF FRESNO
AMERICAN AVENUE DISPOSAL SITE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2007

Cash flows from operating activities:	
Cash received from users	\$ 10,915,638
Cash received from rental	109,758
Cash paid to suppliers	(11,109,926)
Cash paid to employees	<u>(1,466,788)</u>
Net cash used by operating activities	<u>(1,551,318)</u>
Cash flows from noncapital financing activities:	
Cash refunds to users	(465,604)
Other revenues	<u>16,864</u>
Net cash provided by noncapital financing activities	<u>(448,740)</u>
Cash flows from capital and related financing activities:	
Acquisition of property and equipment	(7,905,459)
Transfer out	(86,448)
Net cash used in capital and related financing activities	<u>(7,991,907)</u>
Cash flows from investing activities:	
Interest received on investments	<u>3,334,476</u>
Net cash provided by investing activities	<u>3,334,476</u>
Net decrease in cash and cash equivalents	(6,657,489)
Cash and cash equivalents, July 1, 2006	<u>75,885,926</u>
Cash and cash equivalents, June 30, 2007	<u>\$ 69,228,437</u>
Reconciliation of cash and cash equivalents to the balance sheet:	
Cash and cash equivalents in current assets	\$ 34,701,086
Restricted cash and cash equivalents	<u>34,061,747</u>
Total cash and cash equivalents	<u>\$ 68,762,833</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF FRESNO
AMERICAN AVENUE DISPOSAL SITE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2007

Reconciliation of operating income to net cash provided

by operating activities:

Operating loss \$ (1,025,033)

Adjustments to reconcile operating income to cash

provided by operating activities:

Depletion and depreciation 1,831,648

Change in assets and liabilities:

(Increase) decrease in accounts receivable 104,987

(Increase) decrease in amount due from the County of Fresno 1,222

(Increase) decrease in supplies inventory 328

Increase (decrease) in salaries and benefits payable (10,801)

Increase (decrease) in accounts payable (5,449,626)

Increase (decrease) in compensated absences payable 17,901

Increase (decrease) in amount due to the County of Fresno 793,556

Increase (decrease) in amount due to other governmental units 121,975

Increase (decrease) in closure and postclosure care liability 1,596,921

Net cash used in operating activities \$ (2,016,922)

The notes to the financial statements are an integral part of this statement.

COUNTY OF FRESNO
AMERICAN AVENUE DISPOSAL SITE ENTERPRISE FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The County of Fresno (County), a political subdivision chartered by the State of California and governed by an elected five member Board of Supervisors, owns and operates American Avenue Disposal Site (Landfill), a disposal site which deposits only non-hazardous solid waste from metropolitan Fresno and surrounding communities. The Landfill was established as a separate enterprise fund of the County on July 1, 1980. Administrative responsibilities for the Landfill rest with the County, Public Works and Development Services Department – Resources Division. These financial statements present only that portion of the Solid Waste Enterprise Fund of the County that is attributable to the transactions of the American Avenue Disposal Site Enterprise Fund.

B. Basis of Accounting

Pursuant to Governmental Accounting Standards Board (GASB) Standard No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, all Financial Accounting Standards Board (FASB) statement and authoritative pronouncements issued before November 30, 1989, are applied to proprietary operations unless they conflict with GASB pronouncements. The Landfill has elected not to apply FASB statements issued subsequent to November 30, 1989.

The Landfill is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Proprietary Fund Financial Statements include a Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major fund aggregated.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to a private business enterprises, where the intent of the governing body is that the cost and expenses of providing goods or services to its consumers be financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Enterprise funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

When both restricted and unrestricted resources are available for use, it is the Landfill's policy to use restricted resources first, then unrestricted resources as they are needed.

COUNTY OF FRESNO
AMERICAN AVENUE DISPOSAL SITE ENTERPRISE FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities, and Net Assets

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Landfill considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Landfill's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the Landfill's ending cash balances in the County of Fresno Treasury.

2. Accounts Receivable

The "direct write-off" method for accounts receivable was applied for accounts that had been established as uncollectible. An allowance for uncollectible accounts was recognized when an account was referred to the Revenue Reimbursement Division of the Auditor-Controller/Treasure-Tax Collector and a Discharge of Accountability was received. The "direct write-off" method is not in compliance with general accepted accounting principles, but the result was deemed immaterial to the financial statements taken as a whole. The Landfill recorded a total of \$5,397 of allowance for uncollectible accounts during the period.

3. Payables

Certain costs are incurred by the Landfill during the current period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. The Landfill's current accounts payable balance of \$254,816 as of June 30, 2007, is related to certain contract services and payments for utility fees.

4. Restricted Assets

Restricted assets represent monies or other resources, the use of which is restricted by legal or contractual requirements. Restricted cash is considered a cash equivalent for cash flow reporting purposes.

The Closure/Postclosure Fund monies are set aside based on estimate to cover for closure costs and 30 years of post-closure maintenance cost to provide financial assurance once the Landfill is closed.

The Landfill Expansion Fund monies are for the construction of future modules in the Phase II area and required landfill systems (i.e., landfill gas control, groundwater monitoring systems, and Leachate treatment).

COUNTY OF FRESNO
AMERICAN AVENUE DISPOSAL SITE ENTERPRISE FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities, and Net Assets (Continued)

5. Capital Assets

Capital assets are recorded at cost or estimated cost where cost is not available. Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest capitalized is the excess of interest expense over interest earned on invested proceeds from the date of borrowing through project completion. Depletion of the Landfill is computed using a ratio of total costs to total volume used. Depreciation and amortization of property, plant and equipment, including capital leases, is computed using the straight-line method applied over estimated useful lives of the assets as follows:

<u>Type of Assets</u>	<u>Estimated Useful Life in Years</u>
Access road	20
Structures and improvements	40-50
Machinery and equipment	3-10

6. Supplies Inventory

Supplies Inventory is valued at the lower of cost (determined by first in, first out) or market.

7. Long-term Liabilities

Obligations relating to employees' compensated absences are adjusted to include salary related payments, such as employer payroll taxes, which are directly and incrementally associated with payments made for compensated absences. The Landfill reports both current and long-term portions of the liability for earned compensated absences.

8. Net Assets

Net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

9. Use of Estimates

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**COUNTY OF FRESNO
AMERICAN AVENUE DISPOSAL SITE ENTERPRISE FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007**

NOTE 2 – CASH AND INVESTMENTS

The Landfill maintains specific cash deposits and investments with the Fresno County Auditor-Controller/Treasurer and participates in the common investment pool of the County. The County is restricted by State code in the types of investments it can make. Further, the County has a written investment policy, approved by the Fresno County Board of Supervisors, which is more restrictive than the State code as to terms of maturity and type of investment.

Cash and investments at June 30, 2007, consist of the following:

	<u>Credit Quality Ratings</u>	<u>Carrying Amount</u>
County of Fresno Treasurer's Investment Pool	Not Rated	\$ 68,762,833
Total cash and investments		<u>\$ 68,762,833</u>

Cash and cash equivalents as of June 30, 2007, are classified in the accompanying financial statements:

Statement of Net Assets:

Cash and cash equivalents	\$ 34,701,086
Restricted cash and investments	<u>34,061,747</u>
Total cash and cash investments	<u>\$ 68,762,833</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Landfill has no investments at year-end.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At June 30, 2007, the Landfill's credit risks, expressed on a percentage basis, are as follows:

<u>Credit Quality Distribution for Securities with Credit Exposure as a Percentage of Total Investments</u>			
<u>Investment Type</u>	<u>Moody's Credit Rating</u>	<u>S & P's Rating</u>	<u>% of Investments</u>
County of Fresno Treasurer's Investment Pool	Not Rated	Not Rated	100%
Total			<u>100%</u>

COUNTY OF FRESNO
AMERICAN AVENUE DISPOSAL SITE ENTERPRISE FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

NOTE 3 – CAPITAL ASSETS

At June 30, 2007, capital assets consisted of the following:

	<u>June 30, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2007</u>
Capital assets, not being depreciated:					
Construction in progress - improvements	\$ 15,010,957	\$ 5,152,356	\$ -	\$ (368,276)	\$ 19,795,037
Construction in progress	<u>1,098,967</u>	<u>-</u>	<u>-</u>	<u>(1,098,967)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>16,109,924</u>	<u>5,152,356</u>	<u>-</u>	<u>(1,467,243)</u>	<u>19,795,037</u>
Capital assets, being depleted:					
Structure and improvements	<u>20,048,153</u>	<u>-</u>	<u>-</u>	<u>368,276</u>	<u>20,416,429</u>
Total capital assets, being depleted	<u>20,048,153</u>	<u>-</u>	<u>-</u>	<u>368,276</u>	<u>20,416,429</u>
Capital assets, being depreciated:					
Buildings	7,013,997	5,383	-	1,098,967	8,118,347
Machinery and equipment	<u>10,264,095</u>	<u>2,747,725</u>	<u>-</u>	<u>-</u>	<u>13,011,820</u>
Total capital assets, being depreciated	<u>17,278,092</u>	<u>2,753,108</u>	<u>-</u>	<u>1,098,967</u>	<u>21,130,167</u>
Accumulated depreciation:					
Structure and improvements	(15,181,572)	(798,263)	-	-	(15,979,835)
Buildings	(1,106,082)	(320,276)	-	-	(1,426,358)
Machinery and equipment	<u>(5,464,624)</u>	<u>(713,110)</u>	<u>-</u>	<u>-</u>	<u>(6,177,734)</u>
Total accumulated depreciation	<u>(21,752,278)</u>	<u>(1,831,649)</u>	<u>-</u>	<u>-</u>	<u>(23,583,927)</u>
Total capital assets, being depreciated, net	<u>15,573,967</u>	<u>921,459</u>	<u>-</u>	<u>1,467,243</u>	<u>17,962,669</u>
Total capital assets	<u>\$ 31,683,891</u>	<u>\$ 6,073,815</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,757,706</u>

NOTE 4 – LONG-TERM DEBT

The following is a schedule of long-term liabilities for American Avenue Disposal Site for the year ended June 30, 2007:

	<u>June 30, 2006</u>	<u>Incurred or Issued</u>	<u>Satisfied or Matured</u>	<u>June 30, 2007</u>	<u>Amounts Due Within One Year</u>
Closure and Postclosure	\$ 17,387,481	\$ 1,596,922	\$ -	\$ 18,984,403	\$ -
Earned Compensated Absences	<u>48,029</u>	<u>3,554</u>	<u>-</u>	<u>51,583</u>	<u>22,024</u>
Total	<u>\$ 17,435,510</u>	<u>\$ 1,600,476</u>	<u>\$ -</u>	<u>\$ 19,035,986</u>	<u>\$ 22,024</u>

COUNTY OF FRESNO
AMERICAN AVENUE DISPOSAL SITE ENTERPRISE FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

NOTE 4 – LONG-TERM DEBT

Landfill Closure and Postclosure Costs

The Landfill accounts for closure and postclosure care costs based on GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*. State and Federal laws and regulations require the Landfill to place a final cover on its site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the Landfill stops accepting waste, the Landfill reports a portion of these closure and postclosure care costs as an operating expense and liability in each period based on landfill capacity used as of each balance sheet date.

The amount of \$18,984,403 reported as landfill closure and postclosure care liability at June 30, 2007, represents the cumulative amount reported to date based on the landfill capacity used to date, calculated at 32.81%. The Landfill will recognize the remaining estimated cost of closure and postclosure care of \$38,883,882 as the remaining estimated capacity is filled over the estimated 40-50 years remaining. These amounts are based on current estimates of remaining closure and postclosure care costs at June 30, 2007. Actual costs may be higher when the landfill closes due to inflation, changes in technology, or changes in regulations.

The Landfill is required by State and Federal laws to finance closure and postclosure care costs. The Landfill expects that future user fees and interest earnings over the remaining landfill life will fund the closure and postclosure liabilities.

NOTE 5 – REFUND OF EXCESS REVENUES

On August 2, 2005, pursuant to California Government Code Section 7911, the Fresno County Board of Supervisors approved and authorized the refund of excess revenues generated from American Avenue Landfill's disposal fees for the period of January 1, 1996, through December 31, 2004. The total refund is \$24,593,995. On September 12, 2006, the remaining refund balance of \$4,885,534 was set aside in a trust fund and will be used to provide expanded community clean-up events and future, temporarily discounted or free landfill services benefiting customers in the unincorporated areas of the County.

NOTE 6 – EMPLOYEE'S RETIREMENT ASSOCIATION

Plan Description

The Fresno County Employees' Retirement Association (FCERA) is governed by the Board of Retirement (Board) under the 1937 County Employees' Retirement Law (1937 Act). The FCERA is a contributory defined benefit plan initially organized under the provisions of the Act on January 1, 1945. It provides retirement, death and disability benefits to members. The FCERA is a cost sharing multiple-employer plan which includes substantially all full-time employees and permanent part-time employees who work 50% or more for the County of Fresno, Clovis Memorial District, Fresno Mosquito Abatement District, North Central Fire Protection District, Fresno-Madera Area Agency on Aging, and certain employees of the Fresno County Superintendent of School (collectively the "employers"). An employee becomes eligible for membership commencing with the pay period following the date of employment in a permanent position. The FCERA issues a stand alone financial report which is available for review at the County of Fresno Auditor-Controller/Treasurer-Tax Collector's Office.

**COUNTY OF FRESNO
AMERICAN AVENUE DISPOSAL SITE ENTERPRISE FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007**

NOTE 6 – EMPLOYEE'S RETIREMENT ASSOCIATION

Funding Policy

Contributions to the plan are made by the members and the employers at rates recommended by FCERA's independent actuary and approved by the Board and the Fresno County Board of Supervisors. Employee contribution rates vary according to age and classification (safety and general), and are designed to provide funding for approximately one-fourth of the regular retirement benefits and one-half of all cost of living benefits. Members are required to contribute between 2% and 5% of their annual covered salary. Employer rates are determined pursuant to Section 31453 of the 1937 Act and are designed to provide funding for the remaining regular retirement and cost of living benefits, as well as all regular disability and survivor's benefits.

The following provides five years' trend information for the plan (amounts are expressed in thousands):

<u>Fiscal Year Ending June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
2003	33,584	100%
2004	44,939 *	986%
2005	56,296	100%
2006	56,664	100%
2007	59,997	100%

* On March 23, 2004, the County of Fresno issued Pension Obligation Bonds, which paid off a portion of the estimated Unfunded Actuarial Accrued Liability.

NOTE 7 – RISK MANAGEMENT

The Landfill is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The Landfill provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to the County of Fresno CAFR for additional information.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation, which is likely to have a material adverse affect on the financial position of the Landfill.

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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

To the Board of Supervisors
County of Fresno, California

We have audited the financial statements of the American Avenue Disposal Site Enterprise Fund of the County of Fresno, California as of and for the year ended June 30, 2007, and have issued our report thereon dated December 4, 2007. 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 County's internal control over financial reporting, as it relates to the Fund, as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's 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 entity's 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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's 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 entity's 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 consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 and the Board of Supervisors of the County of Fresno, and is not intended to be and should not be used by anyone other than these specified parties.

Price Paege & Company

December 31, 2007

**COUNTY OF FRESNO
AMERICAN AVENUE DISPOSAL SITE
ENTERPRISE FUND**

Independent Auditor's Reports and
Financial Statements

For the Year Ended
June 30, 2008

COUNTY OF FRESNO
AMERICAN AVENUE DISPOSAL SITE ENTERPRISE FUND
June 30, 2008

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INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of Fresno, California

We have audited the accompanying financial statements of the American Avenue Disposal Site Enterprise Fund of the County of Fresno, California, as of and for the year ended June 30, 2008. These financial statements are the responsibility of the management of the County of Fresno, California. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

As discussed in Note 1, the financial statements present only the American Avenue Disposal Site Enterprise Fund and do not purport to, and do not, present fairly the financial position of County of Fresno, California, as of June 30, 2008, and the changes in its financial position or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Avenue Disposal Site Enterprise Fund of the County of Fresno, California, at June 30, 2008, and the results of its operations and cash flows 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 January 16, 2009, on our consideration of the County of Fresno's internal control over financial reporting as it relates to the American Avenue Disposal Site Enterprise Fund and 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 read in conjunction with this report in considering the results of our audit.

The American Avenue Disposal Site Enterprise Fund of the County of Fresno, California, has not presented the management's discussion and analysis that accounting principles generally accepted in the United States has determined is required supplementary information, although not required to be part of, the basic financial statements.

Price Paige & Company

January 16, 2009

COUNTY OF FRESNO
AMERICAN AVENUE DISPOSAL SITE ENTERPRISE FUND
BALANCE SHEET
June 30, 2008

ASSETS

Current assets:

Cash and cash equivalents	\$ 50,099,991
Restricted cash and investments	20,644,947
Accounts receivable, net of allowance for doubtful accounts of \$2,299	1,816,575
Interest receivable	738,363
Due from the County of Fresno	3,961
Supplies inventory	<u>5,989</u>

Total current assets	<u>73,309,826</u>
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Capital assets:

Nondepreciable:

Land - construction in progress	11,571,987
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Depreciable:

Land improvements	28,797,347
Buildings and improvements	8,118,347
Machinery and equipment	14,622,985
Less accumulated depreciation	<u>(27,785,122)</u>

Total capital assets, net	<u>35,325,544</u>
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Total assets	<u>\$ 108,635,370</u>
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COUNTY OF FRESNO
AMERICAN AVENUE DISPOSAL SITE ENTERPRISE FUND
BALANCE SHEET
June 30, 2008

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and accrued expenses	\$ 198,369
Salaries and benefits payable	65,389
Due to the County of Fresno	244,978
Due to other governmental units; includes sales and use tax payable	443,327
Compensated absences payable	<u>13,326</u>

Total current liabilities	<u>965,389</u>
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Long-term liabilities:

Compensated absences payable	47,286
Closure and postclosure care liability	<u>20,823,000</u>

Total long-term liabilities	<u>20,870,286</u>
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Total liabilities	<u>21,835,675</u>
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Net assets:

Invested in capital assets	35,325,544
Restricted	20,911,111
Unrestricted	<u>30,563,040</u>

Total net assets	<u>86,799,695</u>
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Total liabilities and net assets	<u>\$ 108,635,370</u>
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COUNTY OF FRESNO
AMERICAN AVENUE DISPOSAL SITE ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
For the Year Ended June 30, 2008

OPERATING REVENUES

Charges for services	\$ 10,941,287
Other	<u>47,678</u>

Total operating revenues	<u>10,988,965</u>
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OPERATING EXPENSES

Salaries and benefits	1,561,932
Special departmental	2,390,612
Professional services	3,175,668
Repairs and maintenance	1,711,112
Rents and leases	354,137
General and administrative	553,888
Insurance	106,874
Utilities	69,317
Closure and postclosure care costs	1,838,597
Depreciation and depletion	<u>4,201,195</u>

Total operating expenses	<u>15,963,332</u>
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Operating income (loss)	<u>(4,974,367)</u>
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NONOPERATING REVENUES (EXPENSES)

Interest income	3,368,350
Other revenues	<u>31,246</u>

Total nonoperating revenues (expenses)	<u>3,399,596</u>
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Other financing sources (uses):

Transfers out to Primary Government	<u>(107,949)</u>
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Total other financing sources (uses)	<u>(107,949)</u>
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Change in net assets	(1,682,720)
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Net assets - beginning	<u>88,482,415</u>
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Net assets - ending	<u>\$ 86,799,695</u>
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The notes to the financial statements are an integral part of this statement.

COUNTY OF FRESNO
AMERICAN AVENUE DISPOSAL SITE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2008

Cash flows from operating activities:	
Cash received from users	\$ 10,924,866
Cash received from rental	47,678
Cash paid to suppliers	(9,079,336)
Cash paid to employees	<u>(1,547,528)</u>
Net cash provided by (used in) operating activities	<u>345,680</u>
Cash flows from noncapital financing activities:	
Other revenues	<u>31,246</u>
Net cash provided by (used in) noncapital financing activities	<u>31,246</u>
Cash flows from capital and related financing activities:	
Acquisition of property and equipment	(1,769,032)
Transfers out	<u>(107,949)</u>
Net cash provided by (used in) capital and related financing activities	<u>(1,876,981)</u>
Cash flows from investing activities:	
Interest received on investments	<u>3,482,160</u>
Net cash provided by (used in) investing activities	<u>3,482,160</u>
Net increase (decrease) in cash and cash equivalents	1,982,105
Cash and cash equivalents, July 1, 2007	<u>68,762,833</u>
Cash and cash equivalents, June 30, 2008	<u>\$ 70,744,938</u>
Reconciliation of cash and cash equivalents to the balance sheet:	
Cash and cash equivalents in current assets	\$ 50,099,991
Restricted cash and cash equivalents	<u>20,644,947</u>
Total cash and cash equivalents	<u>\$ 70,744,938</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF FRESNO
AMERICAN AVENUE DISPOSAL SITE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2008

Reconciliation of operating income (loss) to net cash
provided by (used in) operating activities:

Operating income (loss)	\$ (4,974,367)
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Adjustments to reconcile operating income (loss) to cash
provided by (used in) operating activities:

Depletion and depreciation	4,201,195
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Change in assets and liabilities:

(Increase) decrease in accounts receivable	(16,421)
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(Increase) decrease in amount due from the County of Fresno	(1,381)
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(Increase) decrease in supplies inventory	1,691
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Increase (decrease) in salaries and benefits payable	5,375
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Increase (decrease) in accounts payable	(56,447)
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Increase (decrease) in compensated absences payable	9,029
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Increase (decrease) in amount due to the County of Fresno	(806,296)
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Increase (decrease) in amount due to other governmental units	144,705
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Increase (decrease) in closure and postclosure care liability	<u>1,838,597</u>
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Net cash provided by (used in) operating activities	<u>\$ 345,680</u>
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COUNTY OF FRESNO
AMERICAN AVENUE DISPOSAL SITE ENTERPRISE FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The County of Fresno (County), a political subdivision chartered by the State of California and governed by an elected five member Board of Supervisors, owns and operates American Avenue Disposal Site (Landfill), a disposal site which deposits only non-hazardous solid waste from metropolitan Fresno and surrounding communities. The Landfill was established as a separate enterprise fund of the County on July 1, 1980. Administrative responsibilities for the Landfill rest with the County, Public Works and Development Services Department – Resources Division. These financial statements present only that portion of the Solid Waste Enterprise Fund of the County that is attributable to the transactions of the American Avenue Disposal Site Enterprise Fund.

B. Basis of Accounting

Pursuant to Governmental Accounting Standards Board (GASB) Standard No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, all Financial Accounting Standards Board (FASB) statement and authoritative pronouncements issued before November 30, 1989, are applied to proprietary operations unless they conflict with GASB pronouncements. The Landfill has elected not to apply FASB statements issued subsequent to November 30, 1989.

The Landfill is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Proprietary Fund Financial Statements include a Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major fund aggregated.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to a private business enterprises, where the intent of the governing body is that the cost and expenses of providing goods or services to its consumers be financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Enterprise funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

When both restricted and unrestricted resources are available for use, it is the Landfill's policy to use restricted resources first, then unrestricted resources as they are needed.

COUNTY OF FRESNO
AMERICAN AVENUE DISPOSAL SITE ENTERPRISE FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Landfill considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Landfill's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the Landfill's ending cash balances in the County of Fresno Treasury.

2. Accounts Receivable

The "direct write-off" method for accounts receivable was applied for accounts that had been established as uncollectible. An allowance for uncollectible accounts was recognized when an account was referred to the Revenue Reimbursement Division of the Auditor-Controller/Treasure-Tax Collector and a Discharge of Accountability was received. The "direct write-off" method is not in compliance with general accepted accounting principles, but the result was deemed immaterial to the financial statements taken as a whole. The Landfill recorded a total of \$2,299 of allowance for uncollectible accounts during the period.

3. Payables

Certain costs are incurred by the Landfill during the current period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. The Landfill's current accounts payable balance of \$198,369 as of June 30, 2008, is related to certain contract services and payments for utility fees.

4. Restricted Assets

Restricted assets represent monies or other resources, the use of which is restricted by legal or contractual requirements. Restricted cash is considered a cash equivalent for cash flow reporting purposes.

The Closure/Postclosure Fund monies are set aside based on estimate to cover for closure costs and 30 years of post-closure maintenance cost to provide financial assurance once the Landfill is closed.

The Landfill Expansion Fund monies are for the construction of future modules in the Phase II area and required landfill systems (i.e., landfill gas control, groundwater monitoring systems, and Leachate treatment).

COUNTY OF FRESNO
AMERICAN AVENUE DISPOSAL SITE ENTERPRISE FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

5. Capital Assets

Capital assets are recorded at cost or estimated cost where cost is not available. Interest is capitalized on assets acquired with tax-exempt debt. The amount of interest capitalized is the excess of interest expense over interest earned on invested proceeds from the date of borrowing through project completion. Depletion of the Landfill is computed using a ratio of total costs to total volume used. Depreciation and amortization of property, plant and equipment, including capital leases, is computed using the straight-line method applied over estimated useful lives of the assets as follows:

<u>Type of Assets</u>	<u>Estimated Useful Life in Years</u>
Access road	20
Structures and improvements	40-50
Machinery and equipment	3-10

6. Supplies Inventory

Supplies Inventory is valued at the lower of cost (determined by first in, first out) or market.

7. Long-term Liabilities

Obligations relating to employees' compensated absences are adjusted to include salary related payments, such as employer payroll taxes, which are directly and incrementally associated with payments made for compensated absences. The Landfill reports both current and long-term portions of the liability for earned compensated absences.

8. Net Assets

Net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

9. Use of Estimates

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COUNTY OF FRESNO
AMERICAN AVENUE DISPOSAL SITE ENTERPRISE FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

NOTE 2 – CASH AND INVESTMENTS

The Landfill maintains specific cash deposits and investments with the Fresno County Auditor-Controller/Treasurer and participates in the common investment pool of the County. The County is restricted by State code in the types of investments it can make. Further, the County has a written investment policy, approved by the Fresno County Board of Supervisors, which is more restrictive than the State code as to terms of maturity and type of investment.

Cash and investments at June 30, 2008, consist of the following:

	<u>Credit Quality Ratings</u>	<u>Carrying Amount</u>
County of Fresno Treasurer's Investment Pool	Not Rated	\$ 70,744,938
Total cash and investments		<u>\$ 70,744,938</u>

Cash and cash equivalents as of June 30, 2008, are classified in the accompanying financial statements:

Statement of Net Assets:

Cash and cash equivalents	\$ 50,099,991
Restricted cash and investments	<u>20,644,947</u>
Total cash and cash investments	<u>\$ 70,744,938</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Landfill has no investments at year-end.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. At June 30, 2008, the Landfill's credit risks, expressed on a percentage basis, are as follows:

<u>Credit Quality Distribution for Securities with Credit Exposure as a Percentage of Total Investments</u>			
<u>Investment Type</u>	<u>Moody's Credit Rating</u>	<u>S & P's Rating</u>	<u>% of Investments</u>
County of Fresno Treasurer's Investment Pool	Not Rated	Not Rated	100%
Total			<u>100%</u>

COUNTY OF FRESNO
AMERICAN AVENUE DISPOSAL SITE ENTERPRISE FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

NOTE 3 – CAPITAL ASSETS

At June 30, 2008, capital assets consisted of the following:

	<u>June 30, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>June 30, 2008</u>
Capital assets, not being depreciated:					
Land reserved for landfill	\$ 19,795,036	\$ 157,869	\$ -	\$ (8,380,918)	\$ 11,571,987
Total capital assets, not being depreciated	<u>16,109,924</u>	<u>157,869</u>	<u>-</u>	<u>(8,380,918)</u>	<u>11,571,987</u>
Capital assets, being depleted:					
Land improvements	<u>20,416,429</u>	<u>-</u>	<u>-</u>	<u>8,380,918</u>	<u>28,797,347</u>
Total capital assets, being depleted	<u>20,416,429</u>	<u>-</u>	<u>-</u>	<u>8,380,918</u>	<u>28,797,347</u>
Capital assets, being depreciated:					
Buildings and improvements	8,118,347	-	-	-	8,118,347
Machinery and equipment	<u>13,011,821</u>	<u>1,611,164</u>	<u>-</u>	<u>-</u>	<u>14,622,985</u>
Total capital assets, being depreciated	<u>21,130,168</u>	<u>1,611,164</u>	<u>-</u>	<u>-</u>	<u>22,741,332</u>
Accumulated depreciation:					
Land improvements	(15,979,835)	(2,686,003)	-	-	(18,665,838)
Buildings and improvements	(1,426,358)	(320,274)	-	-	(1,746,632)
Machinery and equipment	<u>(6,177,734)</u>	<u>(1,194,918)</u>	<u>-</u>	<u>-</u>	<u>(7,372,652)</u>
Total accumulated depreciation	<u>(23,583,927)</u>	<u>(4,201,195)</u>	<u>-</u>	<u>-</u>	<u>(27,785,122)</u>
Total capital assets, being depreciated, net	<u>17,962,670</u>	<u>(2,590,031)</u>	<u>-</u>	<u>8,380,918</u>	<u>23,753,557</u>
Total capital assets	<u>\$ 34,072,594</u>	<u>\$ (2,432,162)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,325,544</u>

NOTE 4 – LONG-TERM DEBT

The following is a schedule of long-term liabilities for the year ended June 30, 2008:

	<u>June 30, 2007</u>	<u>Incurred or Issued</u>	<u>Satisfied or Matured</u>	<u>June 30, 2008</u>	<u>Amounts Due Within One Year</u>
Closure and Postclosure	\$ 18,984,403	\$ 1,838,598	\$ -	\$ 20,823,000	\$ -
Earned Compensated Absences	<u>51,583</u>	<u>9,029</u>	<u>-</u>	<u>60,612</u>	<u>13,326</u>
Total	<u>\$ 19,035,986</u>	<u>\$ 1,847,627</u>	<u>\$ -</u>	<u>\$ 20,883,612</u>	<u>\$ 13,326</u>

COUNTY OF FRESNO
AMERICAN AVENUE DISPOSAL SITE ENTERPRISE FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

NOTE 4 – LONG-TERM DEBT (Continued)

Landfill Closure and Postclosure Costs

The Landfill accounts for closure and postclosure care costs based on GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*. State and Federal laws and regulations require the Landfill to place a final cover on its site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the Landfill stops accepting waste, the Landfill reports a portion of these closure and postclosure care costs as an operating expense and liability in each period based on landfill capacity used as of each balance sheet date.

The amount of \$20,823,000 reported as landfill closure and postclosure care liability at June 30, 2008, represents the cumulative amount reported to date based on the landfill capacity used to date, calculated at 35.04%. The Landfill will recognize the remaining estimated cost of closure and postclosure care of \$38,607,729 as the remaining estimated capacity is filled over the estimated 40-50 years remaining. These amounts are based on current estimates of remaining closure and postclosure care costs at June 30, 2008. Actual costs may be higher when the landfill closes due to inflation, changes in technology, or changes in regulations.

The Landfill is required by State and Federal laws to finance closure and postclosure care costs. The Landfill expects that future user fees and interest earnings over the remaining landfill life will fund the closure and postclosure liabilities.

NOTE 5 – REFUND OF EXCESS REVENUES

On August 2, 2005, pursuant to California Government Code Section 7911, the Fresno County Board of Supervisors approved and authorized the refund of excess revenues generated from American Avenue Landfill's disposal fees for the period of January 1, 1996, through December 31, 2004. The total refund is \$24,593,995. On September 12, 2006, the remaining refund balance of \$4,885,534 was set aside in a trust fund and will be used to provide expanded community clean-up events and future, temporarily discounted or free landfill services benefiting customers in the unincorporated areas of the County.

NOTE 6 – EMPLOYEE'S RETIREMENT ASSOCIATION

Plan Description

The Fresno County Employees' Retirement Association (FCERA) is governed by the Board of Retirement (Board) under the 1937 County Employees' Retirement Law (1937 Act). The FCERA is a contributory defined benefit plan initially organized under the provisions of the Act on January 1, 1945. It provides retirement, death and disability benefits to members. The FCERA is a cost sharing multiple-employer plan which includes substantially all full-time employees and permanent part-time employees who work 50% or more for the County of Fresno, Clovis Memorial District, Fresno Mosquito Abatement District, North Central Fire Protection District, Fresno-Madera Area Agency on Aging, and certain employees of the Fresno County Superintendent of School (collectively the "employers"). An employee becomes eligible for membership commencing with the pay period following the date of employment in a permanent position. The FCERA issues a stand alone financial report which is available for review at the County of Fresno Auditor-Controller/Treasurer-Tax Collector's Office.

COUNTY OF FRESNO
AMERICAN AVENUE DISPOSAL SITE ENTERPRISE FUND
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008

NOTE 6 – EMPLOYEE’S RETIREMENT ASSOCIATION (Continued)

Funding Policy

Contributions to the plan are made by the members and the employers at rates recommended by FCERA’s independent actuary and approved by the Board and the Fresno County Board of Supervisors. Employee contribution rates vary according to age and classification (safety and general), and are designed to provide funding for approximately one-fourth of the regular retirement benefits and one-half of all cost of living benefits. Members are required to contribute between 2% and 5% of their annual covered salary. Employer rates are determined pursuant to Section 31453 of the 1937 Act and are designed to provide funding for the remaining regular retirement and cost of living benefits, as well as all regular disability and survivor’s benefits.

The following provides five years’ trend information for the plan (amounts are expressed in thousands):

<u>Fiscal Year Ending June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
2004	44,939 *	86%
2005	56,296	100%
2006	56,664	100%
2007	59,997	100%
2008	97,305	100%

* On March 23, 2004, the County of Fresno issued Pension Obligation Bonds, which paid off a portion of the estimated Unfunded Actuarial Accrued Liability.

NOTE 7 – RISK MANAGEMENT

The Landfill is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The Landfill provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno’s Self-Insurance Program. Refer to the County of Fresno CAFR for additional information.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation, which is likely to have a material adverse affect on the financial position of the Landfill.

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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

To the Board of Supervisors
County of Fresno, California

We have audited the financial statements of the American Avenue Disposal Site Enterprise Fund of the County of Fresno, California as of and for the year ended June 30, 2008, and have issued our report thereon dated January 16, 2009. 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 County's internal control over financial reporting, as it relates to the American Avenue Disposal Site Enterprise Fund, as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's 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 entity's 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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's 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 entity's 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 consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the American Avenue Disposal Site's Enterprise Fund 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 and the Board of Supervisors of the County of Fresno, and is not intended to be and should not be used by anyone other than these specified parties.

Price Pugh & Company

January 16, 2009

**COUNTY SERVICE AREA NO. 1
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended
June 30, 2006**

COUNTY SERVICE AREA NO. 1
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 1 (District), a component unit of the County of Fresno, as of and for the fiscal year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 1, as of June 30, 2006, and the respective changes in financial position and cash flows, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 1 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
May 24, 2007

COUNTY SERVICE AREA NO. 1
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2006

ASSETS

Current assets:

Cash and investments	\$ 690
Accounts receivable	<u>73</u>
Total current assets	<u>763</u>

Non-current assets:

Capital assets:

Buildings and improvements	34,602
Machinery and equipment	31,798
Less: accumulated depreciation	<u>(60,282)</u>
Total non-current assets	<u>6,118</u>

Total assets	<u>6,881</u>
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LIABILITIES

Current liabilities:

Accounts payable	6,377
Interest payable	<u>31</u>
Total liabilities	<u>6,408</u>

NET ASSETS

Invested in capital assets	6,118
Unrestricted	<u>(5,645)</u>

Total net assets	<u>\$ 473</u>
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The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 1
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2006

Operating revenues:	
Charges for services	\$ 13,954
Other operating revenues	<u>60,085</u>
Total operating revenues	<u>74,039</u>
Operating expenses:	
Insurance	423
Professional services	35,705
Specialized departmental expenses	3,533
General and administrative	797
Repairs and maintenance	45,588
Utilities	3,252
Depreciation	<u>1,769</u>
Total operating expenses	<u>91,067</u>
Operating income (loss)	<u>(17,028)</u>
Non-operating revenues (expenses):	
Property taxes	20,991
Timber yield	7
Homeowners property tax relief	408
Federal in-lieu housing	5
Interest expense	<u>(18)</u>
Total non-operating revenues (expenses)	<u>21,393</u>
Net income (loss)	4,365
Net assets - beginning	<u>(3,892)</u>
Net assets - ending	<u>\$ 473</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 1
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2006

Cash flows from operating activities:	
Cash received from users	\$ 13,954
Cash paid to suppliers	(98,806)
Other operating receipts	<u>60,085</u>
Net cash provided by (used in) operating activities	<u>(24,767)</u>
Cash flows from non-capital financing activities:	
Property taxes received	22,484
Interest paid	<u>13</u>
Net cash provided (used in) non-capital financing activities	<u>22,497</u>
Net increase (decrease) in cash and cash equivalents	(2,270)
Cash and cash equivalents - beginning	<u>2,960</u>
Cash and cash equivalents - ending	<u>\$ 690</u>

**Reconciliation of Operating Income (Loss) to Net Cash
Provided by (Used in) Operating Activities:**

Operating income (loss)	\$ (17,028)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	1,769
(Increase) decrease in prepaid insurance	183
Increase (decrease) in accounts payable	<u>(9,691)</u>
Total adjustments	<u>(7,739)</u>
Net cash provided by (used in) operating activities	<u>\$ (24,767)</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 1
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

County Service Area No. 1, a special district (District), is an enterprise fund of the County of Fresno (County), which is a political subdivision of the State of California. The function of the District is to provide requested services for the subdivision known as Tamarack Estates, located nine miles south of Huntington Lake. The services provided consist of maintaining community water and sewage systems and providing snow removal. The subdivision contains 45 residential lots, 32 of which have been built upon, and three R-E zoned parcels, one of which contains a ten-unit motel.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

The District was formed in 1962 under the provisions of Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors. The District is not subject to federal or state income taxes. The District is a component unit of the County of Fresno.

The District itself does not employ any personnel. The Department of Public Works and Planning staff provides the necessary services such as maintenance and accounting to the District on a reimbursement basis.

B. Basis of Accounting

Pursuant to Governmental Accounting Standards Board (GASB) Standard No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary fund Accounting*, all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued before November 30, 1989, are applied to proprietary operations unless they conflict with GASB pronouncements. The District has elected not to apply FASB statements issued subsequent to November 30, 1989.

The District is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the government body is that the cost and expenses of providing goods or services to its customers be financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

COUNTY SERVICE AREA NO. 1
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting (Continued)

Enterprise funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The District's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the District based on the ending cash balances in the County of Fresno Treasury.

2. Accounts Payable

Certain costs are incurred by the District during the current reporting period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. The District's current accounts payable balance of \$6,377 as of June 30, 2006, is related to certain contract services and payments for utility fees.

3. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (not rounded) and an estimated useful life in excess of one year. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated or contributed fixed assets are recorded at their estimated fair value on the date received.

COUNTY SERVICE AREA NO. 1
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

3. Capital Assets (Continued)

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of buildings, plants, and machinery and equipment is computed using the straight-line method over the following estimated useful lives:

<u>Equipment Type</u>	<u>Useful Life</u>
Sewer treatment and disposal facility	20 Years
Well pumps	20 Years
Well	15 Years
Equipment	10 Years

4. Net Assets

Net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

5. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

COUNTY SERVICE AREA NO. 1
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

5. Property Taxes (Continued)

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIIIA (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2— CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2006, consist of the following:

Deposits with County of Fresno Treasurer	<u>\$ 690</u>
Total cash and cash equivalents	<u>\$ 690</u>

Cash and cash equivalents as of June 30, 2006, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	<u>\$ 690</u>
Total cash and cash equivalents	<u>\$ 690</u>

COUNTY SERVICE AREA NO. 1
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 2— CASH AND CASH EQUIVALENTS (Continued)

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2006.

NOTE 3— CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006, was as follows:

	July 1, 2005 Balance	Additions	Retirements	June 30, 2006 Balance
Capital assets being depreciated:				
Structures and improvements	\$ 34,602	\$ -	\$ -	\$ 34,602
Machinery and equipment	31,798	-	-	31,798
Total capital assets being depreciated	66,400	-	-	66,400
Less accumulated depreciation:				
Structures and improvements	(26,715)	(1,769)	-	(28,484)
Machinery and equipment	(31,798)	-	-	(31,798)
Total accumulated depreciation	(58,513)	(1,769)	-	(60,282)
Capital Assets, Net	\$ 7,887	\$ (1,769)	\$ -	\$ 6,118

NOTE 4— RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 5— COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation, which is likely to have a material adverse affect on the financial position of the District.

**COUNTY SERVICE AREA NO. 1
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended
June 30, 2007**

COUNTY SERVICE AREA NO. 1
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2007

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 1 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 1, as of June 30, 2007, and the respective changes in financial position and cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 1 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
April 17, 2008

COUNTY SERVICE AREA NO. 1
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2007

ASSETS

Current assets:

Cash and investments	\$ 35,033
Receivables:	
Accounts	46
Interest	345
Total current assets	<u>35,424</u>

Non-current assets:

Capital assets:

Depreciable:

Buildings and improvements	34,602
Machinery and equipment	31,798
Less: accumulated depreciation	<u>(62,052)</u>
Total non-current assets	<u>4,348</u>

Total assets	<u>39,772</u>
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LIABILITIES

Current liabilities:

Accounts payable	<u>14,194</u>
Total liabilities	<u>14,194</u>

NET ASSETS

Invested in capital assets	4,348
Unrestricted	<u>21,230</u>
Total net assets	<u>\$ 25,578</u>

COUNTY SERVICE AREA NO. 1
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2007

Operating revenues:	
Charges for services	\$ 87,844
Total operating revenues	<u>87,844</u>
Operating expenses:	
Insurance	468
Professional services	31,294
Specialized departmental expenses	3,157
General and administrative	4,365
Repairs and maintenance	45,783
Utilities	4,560
Depreciation	<u>1,769</u>
Total operating expenses	<u>91,396</u>
Operating income (loss)	<u>(3,552)</u>
Non-operating revenues (expenses):	
Investment earnings	643
Property taxes	27,537
Timber yield	8
Homeowners property tax relief	431
Federal in-lieu housing	<u>38</u>
Total non-operating revenues (expenses)	<u>28,657</u>
Net income (loss)	25,105
Net assets - beginning	<u>473</u>
Net assets - ending	<u>\$ 25,578</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 1
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2007

Cash flows from operating activities:	
Cash received from users	\$ 87,844
Cash paid to suppliers	<u>(81,810)</u>
Net cash provided by (used in) operating activities	<u>6,034</u>
Cash flows from non-capital financing activities:	
Property taxes received	28,041
Interest paid	<u>(30)</u>
Net cash provided (used in) non-capital financing activities	<u>28,011</u>
Cash flows from investing activities:	
Interest on investments	<u>298</u>
Net cash provided by (used in) investing activities	<u>298</u>
Net increase (decrease) in cash and cash equivalents	34,343
Cash and cash equivalents - beginning	<u>690</u>
Cash and cash equivalents - ending	<u><u>\$ 35,033</u></u>

**Reconciliation of Operating Income (Loss) to Net Cash
Provided by (Used in) Operating Activities:**

Operating income (loss)	\$ (3,552)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	1,769
Increase (decrease) in accounts payable	<u>7,817</u>
Total adjustments	<u>9,586</u>
Net cash provided by (used in) operating activities	<u><u>\$ 6,034</u></u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 1
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

County Service Area No. 1, a special district (District), is an enterprise fund of the County of Fresno (County), which is a political subdivision of the State of California. The function of the District is to provide requested services for the subdivision known as Tamarack Estates, located nine miles south of Huntington Lake. The services provided consist of maintaining community water and sewage systems and providing snow removal. The subdivision contains 45 residential lots, 32 of which have been built upon, and three R-E zoned parcels, one of which contains a ten-unit motel.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

The District was formed in 1962 under the provisions of Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors. The District is not subject to federal or state income taxes. The District is a component unit of the County of Fresno.

The District itself does not employ any personnel. The Department of Public Works and Planning staff provides the necessary services such as maintenance and accounting to the District on a reimbursement basis.

B. Basis of Accounting

Pursuant to Governmental Accounting Standards Board (GASB) Standard No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary fund Accounting*, all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued before November 30, 1989, are applied to proprietary operations unless they conflict with GASB pronouncements. The District has elected not to apply FASB statements issued subsequent to November 30, 1989.

The District is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the government body is that the cost and expenses of providing goods or services to its customers be financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

COUNTY SERVICE AREA NO. 1
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting (Continued)

Enterprise funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The District's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the District based on the ending cash balances in the County of Fresno Treasury.

2. Accounts Payable

Certain costs are incurred by the District during the current reporting period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. The District's current accounts payable balance of \$14,194 as of June 30, 2007, is related to certain contract services and payments for utility fees.

3. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (not rounded) and an estimated useful life in excess of one year. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated or contributed fixed assets are recorded at their estimated fair value on the date received.

COUNTY SERVICE AREA NO. 1
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

3. Capital Assets (Continued)

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of buildings, plants, and machinery and equipment is computed using the straight-line method over the following estimated useful lives:

<u>Equipment Type</u>	<u>Useful Life</u>
Sewer treatment and disposal facility	20 Years
Well pumps	15 Years
Well	20 Years
Equipment	10 Years

4. Net Assets

Net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

5. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

COUNTY SERVICE AREA NO. 1
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

5. Property Taxes (Continued)

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIIIA (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2007, consist of the following:

Deposits with County of Fresno Treasurer	<u>\$ 35,033</u>
Total cash and cash equivalents	<u>\$ 35,033</u>

Cash and cash equivalents as of June 30, 2007, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	<u>\$ 35,033</u>
Total cash and cash equivalents	<u>\$ 35,033</u>

COUNTY SERVICE AREA NO. 1
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2007.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007, was as follows:

	July 1, 2006 Balance	Additions	Retirements	June 30, 2007 Balance
Capital assets being depreciated:				
Structures and improvements	\$ 34,602	\$ -	\$ -	\$ 34,602
Machinery and equipment	31,798	-	-	31,798
Total capital assets being depreciated	<u>66,400</u>	<u>-</u>	<u>-</u>	<u>66,400</u>
Less accumulated depreciation:				
Structures and improvements	(28,484)	(1,770)	-	(30,254)
Machinery and equipment	(31,798)	-	-	(31,798)
Total accumulated depreciation	<u>(60,282)</u>	<u>(1,770)</u>	<u>-</u>	<u>(62,052)</u>
Capital Assets, Net	<u>\$ 6,118</u>	<u>\$ (1,770)</u>	<u>\$ -</u>	<u>\$ 4,348</u>

NOTE 4 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation, which is likely to have a material adverse affect on the financial position of the District.

**COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended
June 30, 2007**

COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2007

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 2 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 financial position of County Service Area No. 2, as of June 30, 2007, and the respective changes in financial position and the respective budgetary comparison for the Special Revenue Fund, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 2 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
April 17, 2008

COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2007

ASSETS

Current assets:

Cash and equivalents	\$ 17,108
Interest receivable	156
Total current assets	<u>17,264</u>

Noncurrent assets:

Capital assets, net of accumulated depreciation	
Buildings and improvements	<u>77,484</u>
Total noncurrent assets	<u>77,484</u>
Total assets	<u>94,748</u>

LIABILITIES

Current liabilities:

Accounts payable	<u>3,381</u>
Total liabilities	<u>3,381</u>

NET ASSETS

Invested in capital assets	77,484
Unrestricted	<u>13,883</u>
Total net assets	<u>\$ 91,367</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

Expenses:	
Public ways and facilities	\$ 33,847
Total program expenses	<u>33,847</u>
Program revenues:	
Charges for services	<u>29,482</u>
Net program expense	<u>(4,365)</u>
General revenues:	
Property taxes	9,543
Unrestricted investment earnings	251
Miscellaneous	<u>154</u>
Total general revenues	<u>9,948</u>
Change in net assets	5,583
Net assets - beginning	<u>85,784</u>
Net assets - ending	<u><u>\$ 91,367</u></u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

ASSETS

Cash and cash equivalents	\$ 17,108
Interest receivable	<u>156</u>
Total assets	<u><u>\$ 17,264</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ 3,381
Total liabilities	<u>3,381</u>

Fund balances:

Unrestricted	<u>13,883</u>
Total fund balance	<u>13,883</u>

Total liabilities and fund balance	<u><u>\$ 17,264</u></u>
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The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2007

Fund balance - governmental funds	\$ 13,883
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets not recorded in governmental fund types but recorded in government-wide statement to conform with GAAP accounting requirements.	<u>77,484</u>
Net assets of governmental activity	<u><u>\$ 91,367</u></u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

Revenues:	
Property taxes - secured and unsecured	\$ 9,543
Service-type property assessments	29,482
Investment earnings	251
Aid from other government agencies:	
State	138
Federal	2
Other operating revenues	14
Total revenues	<u>39,430</u>
Expenditures:	
Current:	
Public ways and facilities:	
Maintenance - building and grounds	15,818
Office expense	5
Professional services	7,795
PeopleSoft financials charges	1,141
Utilities	4,518
Total expenditures	<u>29,277</u>
Changes in fund balance	10,153
Fund balance - beginning	<u>3,730</u>
Fund balance - ending	<u>\$ 13,883</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007**

Net changes in fund balance - total governmental funds	\$ 10,153
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Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. The amount
of current year depreciation expense is \$4,570. There were no capital asset
additions in the current period.

(4,570)

Change in net assets of governmental activities	<u>\$ 5,583</u>
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COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance - July 1, 2006	\$ (96,352)	\$ (116,352)	\$ (4,352)	\$ 112,000
Resources (inflows):				
Property taxes - secured and unsecured	5,650	5,650	9,543	3,893
Interest	250	250	180	(70)
Aid from other government agencies:				
State	-	-	138	138
Federal	-	-	2	2
Service type property assessments	29,499	29,499	29,482	(17)
Other operating revenues	-	-	14	14
Amounts available from appropriation	<u>35,399</u>	<u>35,399</u>	<u>39,359</u>	<u>3,960</u>
Charges to Appropriations (outflows):				
Maintenance - building/grounds	12,500	12,500	15,200	(2,700)
Office expense	50	50	5	45
Postage	50	50	-	50
Professional services	22,000	22,000	7,966	14,034
Specialized departmental	1,500	1,500	1,141	359
Utilities	5,200	5,200	4,555	645
Appropriations for contingencies	<u>738</u>	<u>738</u>	<u>-</u>	<u>738</u>
Total charges to appropriations	<u>42,038</u>	<u>42,038</u>	<u>28,867</u>	<u>13,171</u>
Budgetary Fund Balance - June, 30 2007	<u>\$ (102,991)</u>	<u>\$ (122,991)</u>	<u>\$ 6,140</u>	<u>\$ 129,131</u>

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/inflows of resources:

Actual amounts (budgetary basis) "available from appropriation" from the budgetary comparison schedule not including fund balance	\$ 39,359
Differences - budget to GAAP	
Modified accrual basis of accounting to budgetary basis of accounting	<u>71</u>
Total revenues as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 39,430</u>

Uses/outflows of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 28,867
Differences - budget to GAAP	
Modified accrual basis of accounting to budgetary basis of accounting	<u>410</u>
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 29,277</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

County Service Area No. 2, a special district (District), is a special revenue fund of the County of Fresno (County), which is a political subdivision of the State of California. The function of the District is to maintain a two and one-half acre park, 1,500 linear feet of walkway areas, and park and walkway lighting. The community park is located in the subdivision of Tenaya Estates. Maintenance of the park and walkway areas is administered through the County of Fresno Special Districts Administration. Lighting is provided by contract with PG&E.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

The District was formed in 1962 under the provisions of Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors. The District is not subject to federal or state income taxes. The District is a component unit of the County of Fresno.

The District itself does not employ any personnel. The Department of Public Works and Planning staff provides the necessary services such as maintenance and accounting to the District on a reimbursement basis.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the District's activities. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

Governmental Fund Financial Statements

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures, and changes in fund balance) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues susceptible to accrual are property taxes, interest on investments, and intergovernmental revenues. Property taxes are recorded as revenues in the fiscal year in which they are levied, provided they are collected in the current period or within sixty days thereafter. A one-year availability period is used for all other revenues. Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific expenditures are recognized when all eligibility requirements are met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District reports the following major governmental funds:

The *special revenue fund* accounts for special revenue that is legally restricted to expenditures for a particular purpose. The special revenue fund is the primary operating fund of the District.

The District adopts annual appropriated budgets for its Special Revenue Fund which is a major fund. Budgetary comparison schedules have been provided for this fund to demonstrate compliance with the budgets.

COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Cash Equivalents

The District's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the Districts based on the ending cash balances in the County of Fresno Treasury.

2. Accounts Payable

Certain costs are incurred by the District during the current reporting period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. The District's current accounts payable balance of \$3,381 as of June 30, 2007, is related to certain contract services and payments for utility fees.

3. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (not rounded) and an estimated useful life in excess of one year. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated or contributed fixed assets are recorded at their estimated fair value on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of buildings, plants, and machinery and equipment is computed using the straight-line method over the following estimated useful lives:

<u>Buildings and Improvements</u>	<u>Useful Life</u>
Playground equipment improvements	25 Years
Telephone pole and chain fence	15 Years
<u>Equipment</u>	<u>Useful Life</u>
Jacuzzi centrifugal pump	5 Years

COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

4. Equity

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use in special purposes. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

In the government-wide financial statements, net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

5. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIIIA (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

5. Property Taxes (Continued)

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the provisions of Sections 29000 through 29143 of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares and legally adopts a final balanced budget on or before August 30 for each fiscal year. Until the adoption of this final balanced budget, appropriations are based on the budget of the preceding year as allowed per Government Code 29124. The final adopted budget is available for review in the Auditor-Controller/Treasurer-Tax Collector's Office.

An operating balanced budget is adopted for each fiscal year for the District on the same modified accrual basis, including encumbrances, to reflect estimated revenues and expenditures. Public hearings are conducted on the proposed budget to review all appropriations and the source of financing. Because the final budget must be balanced, any shortfall in revenue requires an equal reduction in appropriations.

Budgetary control is exercised at the object level, except for fixed assets, which are controlled at the sub-object level. All amendments and any expenditures that exceed appropriations must be authorized and approved by the Board.

Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes in governmental funds. Encumbrance accounting is used to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at the time are reported as reservations of fund balance for subsequent year expenditures. The District did not have any outstanding encumbrances at June 30, 2007.

COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

B. Excess in Expenditures Over Appropriations

The District incurred expenditures in excess of appropriations in the following amounts for the fiscal year June 30, 2007:

Maintenance – building and grounds	\$ 2,700
------------------------------------	----------

NOTE 3 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2007, consist of the following:

Deposits with County of Fresno Treasurer	<u>\$ 17,108</u>
Total cash and cash equivalents	<u>\$ 17,108</u>

Cash and cash equivalents as of June 30, 2007, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	<u>\$ 17,108</u>
Total cash and cash equivalents	<u>\$ 17,108</u>

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2007.

COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007, was as follows:

	Balance July 1, 2006	Additions	Retirements	Balance June 30, 2007
Capital assets, being depreciated:				
Buildings and improvements	\$ 107,031	\$ -	\$ -	\$ 107,031
Machinery and equipment	1,361	-	-	1,361
 Total capital assets, being depreciated	 108,392	 -	 -	 108,392
 Less accumulated depreciation:				
Buildings and improvements	(24,977)	(4,570)	-	(29,547)
Machinery and equipment	(1,361)	-	-	(1,361)
Total accumulated depreciation	(26,338)	(4,570)	-	(30,908)
 Capital Assets, Net	 <u>\$ 82,054</u>	 <u>\$ (4,570)</u>	 <u>\$ -</u>	 <u>\$ 77,484</u>

Depreciation expense was charged to function/programs of the District as follows:

Public Ways and Facilities	\$ 4,570
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NOTE 5 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation, which is likely to have a material adverse affect on the financial position of the District.

**COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended
June 30, 2006**

COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 2 (District), a component unit of the County of Fresno, as of and for the fiscal year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 2, as of June 30, 2006, and the respective changes in financial position and the respective budgetary comparison for the Special Revenue Fund, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 2 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
May 24, 2007

COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2006

ASSETS

Current assets:

Cash and equivalents	\$ 7,745
Interest receivable	<u>85</u>
Total current assets	<u>7,830</u>

Noncurrent assets:

Capital assets, net of accumulated depreciation	
Buildings and improvements	<u>82,054</u>
Total noncurrent assets	<u>82,054</u>
 Total assets	 <u>89,884</u>

LIABILITIES

Current liabilities:

Accounts payable	<u>4,100</u>
Total liabilities	<u>4,100</u>

NET ASSETS

Invested in capital assets	82,054
Unrestricted	<u>3,730</u>
Total net assets	<u>\$ 85,784</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

Expenses:	
Public ways and facilities	\$ 123,775
Total program expenses	<u>123,775</u>
Program revenues:	
Charges for services	<u>29,482</u>
Net program expense	<u>(94,293)</u>
General revenues:	
Property taxes	8,778
Unrestricted investment earnings	1,886
Miscellaneous	<u>149</u>
Total general revenues	<u>10,813</u>
Change in net assets	(83,480)
Net assets - beginning	<u>169,264</u>
Net assets - ending	<u>\$ 85,784</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

ASSETS

Cash and cash equivalents	\$ 7,745
Interest receivable	<u>85</u>
Total assets	<u><u>\$ 7,830</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ 4,100
Total liabilities	<u>4,100</u>

Fund balances:

Unrestricted	<u>3,730</u>
Total fund balance	<u>3,730</u>

Total liabilities and fund balance	<u><u>\$ 7,830</u></u>
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The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2006**

Fund balance - governmental funds	\$ 3,730
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Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets not recorded in governmental fund types but recorded in government-wide statement to conform with GAAP accounting requirements.	<u>82,054</u>
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Net assets of governmental activity	<u><u>\$ 85,784</u></u>
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COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

Revenues:	
Property taxes - secured and unsecured	\$ 8,778
Service-type property assessments	29,482
Investment earnings	1,886
Aid from other government agencies:	
State	147
Federal	<u>2</u>
Total revenues	<u>40,295</u>
Expenditures:	
Current:	
Public ways and facilities:	
Maintenance - building and grounds	95,488
Office expense	29
Professional services	18,049
PeopleSoft financials charges	1,080
Utilities	<u>4,559</u>
Total expenditures	<u>119,205</u>
Changes in fund balance	<u>(78,910)</u>
Fund balance - beginning	<u>82,640</u>
Fund balance - ending	<u>\$ 3,730</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006**

Net changes in fund balance - total governmental funds	\$ (78,910)
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Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. The amount
of current year depreciation expense is \$4,570. There were no capital asset
additions in the current period.

(4,570)

Change in net assets of governmental activities

\$ (83,480)

COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance - July 1, 2005	\$ (7,591)	\$ (27,591)	\$ 80,705	\$ 108,296
Resources (inflows):				
Property taxes - secured and unsecured	5,017	5,017	8,778	3,761
Interest	500	500	1,802	1,302
Aid from other government agencies:				
State	-	-	147	147
Federal	-	-	2	2
Service type property assessments	29,499	29,499	29,481	(18)
Amounts available from appropriation	35,016	35,016	40,210	5,194
Charges to Appropriations (outflows):				
Maintenance - building/grounds	92,298	92,298	103,683	(11,385)
Office expense	50	50	29	21
Postage	150	150	-	150
Professional services	18,884	18,884	16,762	2,122
Specialized departmental	-	-	1,080	(1,080)
Utilities	5,000	5,000	3,713	1,287
Appropriations for contingencies	7,395	7,395	-	7,395
Total charges to appropriations	123,777	123,777	125,267	(1,490)
Budgetary Fund Balance - June, 30 2006	\$ (96,352)	\$ (116,352)	\$ (4,352)	\$ 112,000

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/inflows of resources:

Actual amounts (budgetary basis) "available from appropriation" from the budgetary comparison schedule not including fund balance	\$ 40,210
Differences - budget to GAAP	
Modified accrual basis of accounting to budgetary basis of accounting	85
Total revenues as reported on the statement of revenues and expenditures and changes in fund balance	\$ 40,295

Uses/outflows of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 125,267
Differences - budget to GAAP	
Modified accrual basis of accounting to budgetary basis of accounting	(6,062)
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	\$ 119,205

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

County Service Area No. 2, a special district (District), is a special revenue fund of the County of Fresno (County), which is a political subdivision of the State of California. The function of the District is to maintain a two and one-half acre park, 1,500 linear feet of walkway areas, and park and walkway lighting. The community park is located in the subdivision of Tenaya Estates. Maintenance of the park and walkway areas is administered through the County of Fresno Special Districts Administration. Lighting is provided by contract with PG&E.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

The District was formed in 1962 under the provisions of Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors. The District is not subject to federal or state income taxes. The District is a component unit of the County of Fresno.

The District itself does not employ any personnel. The Department of Public Works and Planning staff provides the necessary services such as maintenance and accounting to the District on a reimbursement basis.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the District's activities. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

Governmental Fund Financial Statements

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures, and changes in fund balance) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues susceptible to accrual are property taxes, interest on investments, and intergovernmental revenues. Property taxes are recorded as revenues in the fiscal year in which they are levied, provided they are collected in the current period or within sixty days thereafter. A one-year availability period is used for all other revenues. Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific expenditures are recognized when all eligibility requirements are met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District reports the following major governmental funds:

The *special revenue fund* accounts for special revenue that is legally restricted to expenditures for a particular purpose. The special revenue fund is the primary operating fund of the District.

The District adopts annual appropriated budgets for its Special Revenue Fund which is a major fund. Budgetary comparison schedules have been provided for this fund to demonstrate compliance with the budgets.

COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Cash Equivalents

The District's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the Districts based on the ending cash balances in the County of Fresno Treasury.

2. Accounts Payable

Certain costs are incurred by the District during the current reporting period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. The District's current accounts payable balance of \$4,100 as of June 30, 2006, is related to certain contract services and payments for utility fees.

3. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (not rounded) and an estimated useful life in excess of one year. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated or contributed fixed assets are recorded at their estimated fair value on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of buildings, plants, and machinery and equipment is computed using the straight-line method over the following estimated useful lives:

<u>Buildings and Improvements</u>	<u>Useful Life</u>
Playground equipment improvements	25 Years
Telephone pole and chain fence	15 Years
<u>Equipment</u>	<u>Useful Life</u>
Jacuzzi centrifugal pump	5 Years

COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

4. Equity

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use in special purposes. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

In the government-wide financial statements, net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

5. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIIIA (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

5. Property Taxes (Continued)

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2— STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the provisions of Sections 29000 through 29143 of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares and legally adopts a final balanced budget on or before August 30 for each fiscal year. Until the adoption of this final balanced budget, appropriations are based on the budget of the preceding year as allowed per Government Code 29124. The final adopted budget is available for review in the Auditor-Controller/Treasurer-Tax Collector's Office.

An operating balanced budget is adopted for each fiscal year for the District on the same modified accrual basis, including encumbrances, to reflect estimated revenues and expenditures. Public hearings are conducted on the proposed budget to review all appropriations and the source of financing. Because the final budget must be balanced, any shortfall in revenue requires an equal reduction in appropriations.

Budgetary control is exercised at the object level, except for fixed assets, which are controlled at the sub-object level. All amendments and any expenditures that exceed appropriations must be authorized and approved by the Board.

Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes in governmental funds. Encumbrance accounting is used to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at the time are reported as reservations of fund balance for subsequent year expenditures. The District did not have any outstanding encumbrances at June 30, 2006.

COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 2— STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

B. Excess in Expenditures Over Appropriations

The District incurred expenditures in excess of appropriation in the following amounts for the fiscal year June 30, 2006:

Maintenance – building and grounds	\$ 11,385
Specialized departmental	\$ 1,080

NOTE 3— CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2006, consist of the following:

Deposits with County of Fresno Treasurer	<u>\$ 7,745</u>
Total cash and cash equivalents	<u>\$ 7,745</u>

Cash and cash equivalents as of June 30, 2006, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	<u>\$ 7,745</u>
Total cash and cash equivalents	<u>\$ 7,745</u>

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2006.

COUNTY SERVICE AREA NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 4— CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006, was as follows:

	Balance June 30, 2005	Additions	Retirements	Balance June 30, 2006
Capital assets, being depreciated:				
Buildings and improvements	\$ 107,031	\$ -	\$ -	\$ 107,031
Machinery and equipment	<u>1,361</u>	<u>-</u>	<u>-</u>	<u>1,361</u>
Total capital assets, being depreciated	<u>108,392</u>	<u>-</u>	<u>-</u>	<u>108,392</u>
Less accumulated depreciation:				
Buildings and improvements	(20,407)	(4,570)	-	(24,977)
Machinery and equipment	<u>(1,361)</u>	<u>-</u>	<u>-</u>	<u>(1,361)</u>
Total accumulated depreciation	<u>(21,768)</u>	<u>(4,570)</u>	<u>-</u>	<u>(26,338)</u>
Capital Assets, Net	<u>\$ 86,624</u>	<u>\$ (4,570)</u>	<u>\$ -</u>	<u>\$ 82,054</u>

Depreciation expense was charged to function/programs of the District as follows:

Public Ways and Facilities	\$ 4,570
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NOTE 5— RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 6— COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation, which is likely to have a material adverse affect on the financial position of the District.

**COUNTY SERVICE AREA NO. 5
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended
June 30, 2007**

COUNTY SERVICE AREA NO. 5
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2007

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 5 (District), a component unit of the County of Fresno, as of and for the fiscal year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 5 as of June 30, 2007, and the respective changes in financial position and cash flows, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 5 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
April 17, 2008

COUNTY SERVICE AREA NO. 5
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2007

ASSETS

Current assets:

Cash and equivalents	\$ 42,764
Receivables:	
Accounts	261
Interest	512
Total current assets	<u>43,537</u>

Noncurrent assets:

Capital assets:

Machinery and equipment	87,215
Less: accumulated depreciation	<u>(85,086)</u>
Total noncurrent assets	<u>2,129</u>

Total assets	<u>45,666</u>
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LIABILITIES

Current liabilities

Accounts payable	<u>4,464</u>
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Total liabilities	<u>4,464</u>
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NET ASSETS

Invested in capital assets	2,129
Unrestricted	<u>39,073</u>
Total net assets	<u><u>\$ 41,202</u></u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 5
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2007

Operating revenues:	
Charges for services	\$ 989
Other operating revenues	<u>31,069</u>
Total operating revenues	<u>32,058</u>
Operating expenses:	
Insurance	1,087
Professional and specialized services	16,710
Specialized departmental expenses	1,647
General and administrative	259
Repairs and maintenance	5,036
Utilities	16,206
Depreciation	<u>2,130</u>
Total operating expenses	<u>43,075</u>
Operating income (loss)	<u>(11,017)</u>
Nonoperating revenues (expenses):	
Investment earnings	1,797
Property taxes	12,327
Homeowners property tax relief	195
Federal in-lieu housing	<u>2</u>
Total nonoperating revenues (expenses)	<u>14,321</u>
Change in net assets	3,304
Net assets - beginning	<u>37,898</u>
Net assets - ending	<u>\$ 41,202</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 5
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2007

Cash flows from operating activities:	
Cash received from users	\$ 1,032
Cash paid to suppliers	(40,273)
Other operating receipts	<u>31,069</u>
Net cash provided by (used in) operating activities	<u>(8,172)</u>
Cash flows from non-capital financing activities:	
Property taxes received	<u>12,524</u>
Net cash provided by (used in) non-capital financing activities	<u>12,524</u>
Cash flows from investing activities:	
Interest on investments	<u>1,638</u>
Net cash provided by (used in) investing activities	<u>1,638</u>
Net increase (decrease) in cash and cash equivalents	<u>5,990</u>
Cash and cash equivalents - beginning	<u>36,774</u>
Cash and cash equivalents - ending	<u><u>\$ 42,764</u></u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 5
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

County Service Area No. 5, a special district (District), is an enterprise fund of the County of Fresno (County), which is a political subdivision of the State of California. The District was formed in 1963 under the provisions of Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors. The function of the District is to provide community water, flood control facilities and maintenance of a recreational lake in Wildwood Island, Tract 1895. This subdivision is located on the east side of the Kings River, approximately two miles northeast of Centerville. In 1966, adjoining lands were subdivided as Wildwood Meadows, Tract 2053, and annexed to the District. The District is not subject to federal or state income taxes. The District is a component unit of the County of Fresno.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

The District itself does not employ any personnel. The Department of Public Works and Planning staff provides the necessary services such as maintenance and accounting to the District on a reimbursement basis.

B. Basis of Accounting

Pursuant to Governmental Accounting Standards Board (GASB) Standard No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary fund Accounting*, all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued before November 30, 1989, are applied to proprietary operations unless they conflict with GASB pronouncements. The District has elected not to apply FASB statements issued subsequent to November 30, 1989.

The District is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major fund aggregated.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the government body is that the cost and expenses of providing goods or services to its customers be financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

COUNTY SERVICE AREA NO. 5
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting (Continued)

Enterprise funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The District's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the District based on the ending cash balances in the County of Fresno Treasury.

2. Accounts Payable

Certain costs are incurred by the District during the current reporting period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. The District's current accounts payable balance of \$4,464 as of June 30, 2007, is related to certain contract services and payments for utility fees.

3. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (not rounded) and an estimated useful life in excess of one year. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated or contributed fixed assets are recorded at their estimated fair value on the date received.

COUNTY SERVICE AREA NO. 5
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

3. Capital Assets (Continued)

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of buildings, plants, and machinery and equipment is computed using the straight-line method over the following estimated useful lives:

<u>Equipment Type</u>	<u>Useful Life</u>
Water System	40 Years
Telemetry System	15 Years
Hydro-Pneumatic Tank	10 Years
Well	10 Years

4. Net Assets

Net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

5. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

The County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

COUNTY SERVICE AREA NO. 5
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

5. Property Taxes (Continued)

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIIIA (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2—CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2007, consist of the following:

Deposits with County of Fresno Treasurer	<u>\$ 42,764</u>
Total cash and cash equivalents	<u>\$ 42,764</u>

Cash and cash equivalents as of June 30, 2007, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	<u>\$ 42,764</u>
Total cash and cash equivalents	<u>\$ 42,764</u>

COUNTY SERVICE AREA NO. 5
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 2— CASH AND CASH EQUIVALENTS (Continued)

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2007.

NOTE 3—CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007 was as follows:

	July 1, 2006 Balance	Additions	Deletions	June 30, 2007 Balance
Capital assets being depreciated:				
Machinery and equipment	\$ 87,215	\$ -	\$ -	\$ 87,215
Less: accumulated depreciation	(82,956)	(2,130)	-	(85,086)
Capital Assets, Net	<u>\$ 4,259</u>	<u>\$ (2,130)</u>	<u>\$ -</u>	<u>\$ 2,129</u>

NOTE 4—RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 5—COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation which is likely to have a material adverse affect on the financial position of the District.

**COUNTY SERVICE AREA NO. 5
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended
June 30, 2006**

COUNTY SERVICE AREA NO. 5
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 5 (District), a component unit of the County of Fresno, as of and for the fiscal year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 5 as of June 30, 2006, and the respective changes in financial position and cash flows, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 5 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
May 24, 2007

COUNTY SERVICE AREA NO. 5
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2006

ASSETS

Current assets:

Cash and equivalents	\$ 36,774
Receivables:	
Accounts	304
Interest	<u>354</u>
Total current assets	<u>37,432</u>

Noncurrent assets:

Capital assets:

Machinery and equipment	87,215
Less: accumulated depreciation	<u>(82,957)</u>
Total noncurrent assets	<u>4,258</u>

Total assets	<u>41,690</u>
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LIABILITIES

Current liabilities

Accounts payable	<u>3,792</u>
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Total liabilities	<u>3,792</u>
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NET ASSETS

Invested in capital assets	4,258
Unrestricted	<u>33,640</u>
Total net assets	<u>\$ 37,898</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 5
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2006

Operating revenues:	
Charges for services	\$ 1,084
Other operating revenues	<u>31,117</u>
Total operating revenues	<u>32,201</u>
Operating expenses:	
Insurance	1,443
Professional and specialized services	16,848
Specialized departmental expenses	1,689
General and administrative	275
Repairs and maintenance	2,423
Utilities	14,357
Depreciation	<u>2,130</u>
Total operating expenses	<u>39,165</u>
Operating income (loss)	<u>(6,964)</u>
Nonoperating revenues (expenses):	
Investment earnings	1,168
Property taxes	9,996
Homeowners property tax relief	204
Federal in-lieu housing	<u>3</u>
Total nonoperating revenues (expenses)	<u>11,371</u>
Change in net assets	4,407
Net assets - beginning	<u>33,491</u>
Net assets - ending	<u>\$ 37,898</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 5
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2006

Cash flows from operating activities:	
Cash received from users	\$ 780
Cash paid to suppliers	(37,334)
Other operating receipts	<u>31,117</u>
Net cash provided by (used in) operating activities	<u>(5,437)</u>
Cash flows from non-capital financing activities:	
Property taxes received	<u>10,203</u>
Net cash provided by (used in) non-capital financing activities	<u>10,203</u>
Cash flows from investing activities:	
Interest on investments	<u>815</u>
Net cash provided by (used in) investing activities	<u>815</u>
Net increase (decrease) in cash and cash equivalents	<u>5,581</u>
Cash and cash equivalents - beginning	<u>31,193</u>
Cash and cash equivalents - ending	<u>\$ 36,774</u>

**Reconciliation of Operating Income (Loss) to Net Cash
Provided by Operating Activities:**

Operating income (loss)	\$ (6,964)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	2,130
(Increase) decrease in accounts receivable	(304)
(Increase) decrease in prepaid assets	590
Increase (decrease) in accounts payable	<u>(889)</u>
Total adjustments	<u>1,527</u>
Net cash provided by (used in) operating activities	<u>\$ (5,437)</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 5
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

County Service Area No. 5, a special district (District), is an enterprise fund of the County of Fresno (County), which is a political subdivision of the State of California. The District was formed in 1963 under the provisions of Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors. The function of the District is to provide community water, flood control facilities and maintenance of a recreational lake in Wildwood Island, Tract 1895. This subdivision is located on the east side of the Kings River, approximately two miles northeast of Centerville. In 1966, adjoining lands were subdivided as Wildwood Meadows, Tract 2053, and annexed to the District. The District is not subject to federal or state income taxes. The District is a component unit of the County of Fresno.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

The District itself does not employ any personnel. The Department of Public Works and Planning staff provides the necessary services such as maintenance and accounting to the District on a reimbursement basis.

B. Basis of Accounting

Pursuant to Governmental Accounting Standards Board (GASB) Standard No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued before November 30, 1989, are applied to proprietary operations unless they conflict with GASB pronouncements. The District has elected not to apply FASB statements issued subsequent to November 30, 1989.

The District is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major fund aggregated.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the government body is that the cost and expenses of providing goods or services to its customers be financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

COUNTY SERVICE AREA NO. 5
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting (Continued)

Enterprise funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The District's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the District based on the ending cash balances in the County of Fresno Treasury.

2. Accounts Payable

Certain costs are incurred by the District during the current reporting period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. The District's current accounts payable balance of \$3,792 as of June 30, 2006, is related to certain contract services and payments for utility fees.

3. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (not rounded) and an estimated useful life in excess of one year. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated or contributed fixed assets are recorded at their estimated fair value on the date received.

COUNTY SERVICE AREA NO. 5
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

3. Capital Assets (Continued)

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of buildings, plants, and machinery and equipment is computed using the straight-line method over the following estimated useful lives:

<u>Equipment Type</u>	<u>Useful Life</u>
Water System	40 Years
Telemetry System	15 Years
Hydro-Pneumatic Tank	10 Years
Well	10 Years

4. Net Assets

Net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

5. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

The County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

COUNTY SERVICE AREA NO. 5
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

5. Property Taxes (Continued)

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIIIA (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2—CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2006, consist of the following:

Deposits with County of Fresno Treasurer	<u>\$ 36,774</u>
Total cash and cash equivalents	<u>\$ 36,774</u>

Cash and cash equivalents as of June 30, 2006, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	<u>\$ 36,744</u>
Total cash and cash equivalents	<u>\$ 36,744</u>

COUNTY SERVICE AREA NO. 5
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 2— CASH AND CASH EQUIVALENTS (Continued)

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2006.

NOTE 3—CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006 was as follows:

	July 1, 2005			June 30, 2006
	Balance	Additions	Deletions	Balance
Capital assets being depreciated:				
Machinery and equipment	\$ 87,215	\$ -	\$ -	\$ 87,215
Less: accumulated depreciation	(80,827)	(2,130)	-	(82,957)
Capital Assets, Net	<u>\$ 6,388</u>	<u>\$ (2,130)</u>	<u>\$ -</u>	<u>\$ 4,258</u>

NOTE 4—RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 5—COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation, which is likely to have a material adverse affect on the financial position of the District.

COUNTY SERVICE AREA NO. 7
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

For the Year Ended
June 30, 2007

COUNTY SERVICE AREA NO. 7
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2007

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 7 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of County Service Area No. 7, as of June 30, 2007, and the respective changes in financial position and the respective budgetary comparison for the major Special Revenue Fund, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 7 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
April 17, 2008

COUNTY SERVICE AREA NO. 7
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
June 30, 2007

	<u>Governmental Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash and cash equivalents	\$ 89,310	\$ -	\$ 89,310
Interest receivable	<u>1,085</u>	<u>-</u>	<u>1,085</u>
Total assets	<u>\$ 90,395</u>	<u>-</u>	<u>90,395</u>
LIABILITIES			
Accounts payable	\$ 2,651	<u>-</u>	<u>2,651</u>
Total liabilities	<u>2,651</u>	<u>-</u>	<u>2,651</u>
FUND BALANCE/NET ASSETS			
Fund balance:			
Unreserved	<u>87,744</u>	<u>(87,744)</u>	<u>-</u>
Total fund balance	<u>87,744</u>	<u>(87,744)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 90,395</u>		
Net assets:			
Unrestricted		<u>87,744</u>	<u>87,744</u>
Total net assets		<u>\$ 87,744</u>	<u>\$ 87,744</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 7
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE**
For the Year Ended June 30, 2007

	Governmental Fund	Adjustments	Statement of Activities
Expenditures/Expenses:			
Public ways and facilities	\$ 17,990	\$ -	\$ 17,990
Total expenditures/expenses	<u>17,990</u>	<u>-</u>	<u>17,990</u>
Revenues			
Program revenue:			
Charges for services	<u>22,188</u>	<u>-</u>	<u>22,188</u>
Total program revenue	<u>22,188</u>	<u>-</u>	<u>22,188</u>
Net program expense	<u>4,198</u>	<u>-</u>	<u>4,198</u>
General revenues:			
Property taxes	6,403	-	6,403
Unrestricted investment earnings	3,786	-	3,786
Miscellaneous	<u>91</u>	<u>-</u>	<u>91</u>
Total general revenues	<u>10,280</u>	<u>-</u>	<u>10,280</u>
Excess of revenues over expenditures	<u>14,478</u>	<u>(14,478)</u>	<u>-</u>
Change in net assets	-	14,478	14,478
Fund balance/net assets:			
Beginning of the year	<u>73,266</u>	<u>-</u>	<u>73,266</u>
End of the year	<u><u>\$ 87,744</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 87,744</u></u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 7
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Balance - July 1, 2006	\$ 31,470	\$ 31,470	\$ 71,649	\$ 40,179
Resources (inflows):				
Taxes	3,986	3,986	6,403	2,417
Use of money and property	1,100	1,100	3,434	2,334
Intergovernmental revenues	-	-	91	91
Charges for current services	22,122	22,122	22,189	67
Total revenues	27,208	27,208	32,117	4,909
Charges to Appropriations (outflows):				
Public ways and facilities:				
Original Zone:				
Services and supplies	17,300	17,300	10,514	6,786
Contingencies	1,730	1,730	-	1,730
Zone D:				
Services and supplies	20,314	20,314	6,992	13,322
Contingencies	2,031	2,031	-	2,031
Total charges to appropriations	41,375	41,375	17,506	23,869
Budgetary Balance - June, 30 2007	\$ 17,303	\$ 17,303	\$ 86,260	\$ 68,957

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP
Revenues and Expenditures:

Sources/inflows of resources:

Actual amounts (budgetary basis) "available from appropriation" from the budgetary comparison schedule	\$ 32,117
Differences - budget to GAAP	
Budgetary basis to modified accrual basis adjustment	351
Total revenues as reported on the statement of revenues and expenditures and changes in fund balance	\$ 32,468

Uses/outflows of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 17,506
Differences - budget to GAAP	
Budgetary basis to modified accrual basis adjustment	484
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	\$ 17,990

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 7
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

County Service Area No. 7, a special district (District) is a revenue fund of the County of Fresno (County), which is a political subdivision of the State of California. The District is comprised of two independent zones located throughout the County. The District was formed in 1963 under the provisions of the Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors (Board).

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

County Service Area No. 7 (the original zone) provides street lighting for three noncontiguous subdivisions that are located 1) along the San Joaquin River Bluffs near Valentine Avenue, 2) south of Herndon Avenue and east of Palm Avenue, and 3) on Argyle Avenue north of Tulare Avenue. Zone "D" is located west of the City of Fresno. Zone "D" encompasses Tract 4503 and was formed to provide street lighting and street landscape maintenance for approximately 1/3 of a mile.

County Service Area No. 7 (the original zone) provides street lighting for noncontiguous subdivisions. The District is dynamic in that new zones are added and old zones are deleted as warranted and with approval of the Board of Supervisors. The function of the District is now to serve as the street lighting entity for the metropolitan area, outside the incorporated city. New subdivisions that require street lighting are, therefore, normally annexed to this service area rather than forming new entities. Street lighting is provided by contract with PG&E. The District is not subject to federal or state income taxes. The District is a component unit of the County of Fresno.

This District itself does not employ any personnel. The Department of Public Works and Planning staff provides the necessary services such as maintenance and accounting to the District on a reimbursement basis.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the District's activities. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

COUNTY SERVICE AREA NO. 7
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

Governmental Fund Financial Statements

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures, and changes in fund balance) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues susceptible to accrual are property taxes, interest on investments, and intergovernmental revenues. Property taxes are recorded as revenues in the fiscal year in which they are levied, provided they are collected in the current period or within sixty days thereafter. A one-year availability period is used for all other revenues. Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific expenditures are recognized when all eligibility requirements are met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Cash Equivalents

The District's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the District based on the ending cash balances in the County of Fresno Treasury.

COUNTY SERVICE AREA NO. 7
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

2. Equity

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use in special purposes. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

In the government-wide financial statements, net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

3. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIIIA (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

COUNTY SERVICE AREA NO. 7
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

3. Property Taxes (Continued)

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

4. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the provisions of Sections 29000 through 29143 of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares and legally adopts a final balanced budget on or before August 30 for each fiscal year. Until the adoption of this final balanced budget, appropriations are based on the budget of the preceding year as allowed per Government Code 29124. The final adopted budget is available for review in the Auditor-Controller/Treasurer-Tax Collector's Office.

An operating balanced budget is adopted for each fiscal year for the District on the same modified accrual basis, including encumbrances, to reflect estimated revenues and expenditures. Public hearings are conducted on the proposed budget to review all appropriations and the source of financing. Because the final budget must be balanced, any shortfall in revenue requires an equal reduction in appropriations.

Budgetary control is exercised at the object level, except for fixed assets, which are controlled at the sub-object level. All amendments and any expenditures that exceed appropriations must be authorized and approved by the Board.

Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes in governmental funds. Encumbrance accounting is used to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at the time are reported as reservations of fund balance for subsequent year expenditures. The District did not have any outstanding encumbrances at June 30, 2007.

COUNTY SERVICE AREA NO. 7
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 3 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2007, consist of the following:

Deposits with County of Fresno Treasurer	<u>\$ 89,310</u>
Total cash and cash equivalents	<u>\$ 89,310</u>

Cash and cash equivalents as of June 30, 2007, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	<u>\$ 89,310</u>
Total cash and cash equivalents	<u>\$ 89,310</u>

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2007.

NOTE 4 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation, which is likely to have a material adverse affect on the financial position of the District.

COUNTY SERVICE AREA NO. 7
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

For the Year Ended
June 30, 2006

COUNTY SERVICE AREA NO. 7
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 7 (District), a component unit of the County of Fresno, as of and for the fiscal year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of County Service Area No. 7, as of June 30, 2006, and the respective changes in financial position and the respective budgetary comparison for the major Special Revenue Fund, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 7 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
May 24, 2007

COUNTY SERVICE AREA NO. 7
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
June 30, 2006

	<u>Governmental Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash and cash equivalents	\$ 74,050	\$ -	\$ 74,050
Interest receivable	<u>734</u>	<u>-</u>	<u>734</u>
Total assets	<u>\$ 74,784</u>	<u>-</u>	<u>74,784</u>
LIABILITIES			
Accounts payable	\$ 1,518	<u>-</u>	<u>1,518</u>
Total liabilities	<u>1,518</u>	<u>-</u>	<u>1,518</u>
FUND BALANCE/NET ASSETS			
Fund Balance:			
Unreserved	<u>73,266</u>	<u>(73,266)</u>	<u>-</u>
Total fund balance	<u>73,266</u>	<u>(73,266)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 74,784</u>		
Net Assets:			
Unrestricted		<u>73,266</u>	<u>73,266</u>
Total net assets		<u>\$ 73,266</u>	<u>\$ 73,266</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 7
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE**
For the Year Ended June 30, 2006

	<u>Governmental Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/Expenses:			
Public ways and facilities	\$ 20,477	\$ -	\$ 20,477
Total expenditures/expenses	<u>20,477</u>	<u>-</u>	<u>20,477</u>
Revenues			
Program revenue:			
Charges for services	<u>22,008</u>	<u>-</u>	<u>22,008</u>
Total program revenue	<u>22,008</u>	<u>-</u>	<u>22,008</u>
Net program expense			<u>1,531</u>
General revenues:			
Property taxes	5,103	-	5,103
Unrestricted investment earnings	2,256	-	2,256
Miscellaneous	<u>99</u>	<u>-</u>	<u>99</u>
Total general revenues	<u>7,458</u>	<u>-</u>	<u>7,458</u>
Excess of revenues over expenditures	<u>8,989</u>	<u>(8,989)</u>	<u>-</u>
Change in net assets	-	8,989	8,989
Fund balance/net assets:			
Beginning of the year	<u>64,277</u>	<u>-</u>	<u>64,277</u>
End of the year	<u>\$ 73,266</u>	<u>\$ -</u>	<u>\$ 73,266</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 7
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Balance - July 1, 2005	\$ 44,219	\$ 44,219	\$ 64,277	\$ 20,058
Resources (inflows):				
Taxes	3,606	3,606	5,390	1,784
Use of money and property	1,100	1,100	2,008	908
Intergovernmental revenues	-	-	99	99
Charges for current services	21,941	21,941	22,008	67
Total revenues	<u>26,647</u>	<u>26,647</u>	<u>29,505</u>	<u>2,858</u>
Charges to Appropriations (outflows):				
Public ways and facilities				
Original Zone:				
Services and supplies	16,438	16,438	16,028	410
Contingencies	1,644	1,644	-	1,644
Zone D:				
Services and supplies	19,376	19,376	6,105	13,271
Contingencies	1,938	1,938	-	1,938
Total charges to appropriations	<u>39,396</u>	<u>39,396</u>	<u>22,133</u>	<u>17,263</u>
Budgetary Balance - June, 30 2006	<u>\$ 31,470</u>	<u>\$ 31,470</u>	<u>\$ 71,649</u>	<u>\$ 40,179</u>

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP
Revenues and Expenditures:

Sources/inflows of resources:	
Actual amounts (budgetary basis) "available from appropriation" from the budgetary comparison schedule	\$ 29,505
Differences - budget to GAAP	
Budgetary basis to modified accrual basis adjustment	<u>(39)</u>
Total revenues as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 29,466</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 22,133
Differences - budget to GAAP	
Budgetary basis to modified accrual basis adjustment	<u>(1,656)</u>
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 20,477</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 7
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

County Service Area No. 7, a special district (District) is a revenue fund of the County of Fresno (County), which is a political subdivision of the State of California. The District is comprised of two independent zones located throughout the County. The District was formed in 1963 under the provisions of the Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors (Board).

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

County Service Area No. 7 (the original zone) provides street lighting for three noncontiguous subdivisions that are located 1) along the San Joaquin River Bluffs near Valentine Avenue, 2) south of Herndon Avenue and east of Palm Avenue, and 3) on Argyle Avenue north of Tulare Avenue. Zone "D" is located west of the City of Fresno. Zone "D" encompasses Tract 4503 and was formed to provide street lighting and street landscape maintenance for approximately 1/3 of a mile.

County Service Area No. 7 (the original zone) provides street lighting for noncontiguous subdivisions. The District is dynamic in that new zones are added and old zones are deleted as warranted and with approval of the Board of Supervisors. The function of the District is now to serve as the street lighting entity for the metropolitan area, outside the incorporated city. New subdivisions that require street lighting are, therefore, normally annexed to this service area rather than forming new entities. Street lighting is provided by contract with PG&E. The District is not subject to federal or state income taxes. The District is a component unit of the County of Fresno.

This District itself does not employ any personnel. The Department of Public Works and Planning staff provides the necessary services such as maintenance and accounting to the District on a reimbursement basis.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the District's activities. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

COUNTY SERVICE AREA NO. 7
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

Governmental Fund Financial Statements

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures, and changes in fund balance) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues susceptible to accrual are property taxes, interest on investments, and intergovernmental revenues. Property taxes are recorded as revenues in the fiscal year in which they are levied, provided they are collected in the current period or within sixty days thereafter. A one-year availability period is used for all other revenues. Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific expenditures are recognized when all eligibility requirements are met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Cash Equivalents

The District's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the Districts based on the ending cash balances in the County of Fresno Treasury.

COUNTY SERVICE AREA NO. 7
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

2. Equity

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use in special purposes. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

In the government-wide financial statements, net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

3. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIIIA (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

COUNTY SERVICE AREA NO. 7
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

3. Property Taxes (Continued)

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

4. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the provisions of Sections 29000 through 29143 of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares and legally adopts a final balanced budget on or before August 30 for each fiscal year. Until the adoption of this final balanced budget, appropriations are based on the budget of the preceding year as allowed per Government Code 29124. The final adopted budget is available for review in the Auditor-Controller/Treasurer-Tax Collector's Office.

An operating balanced budget is adopted for each fiscal year for the District on the same modified accrual basis, including encumbrances, to reflect estimated revenues and expenditures. Public hearings are conducted on the proposed budget to review all appropriations and the source of financing. Because the final budget must be balanced, any shortfall in revenue requires an equal reduction in appropriations.

Budgetary control is exercised at the object level, except for fixed assets, which are controlled at the sub-object level. All amendments and any expenditures that exceed appropriations must be authorized and approved by the Board.

Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes in governmental funds. Encumbrance accounting is used to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at the time are reported as reservations of fund balance for subsequent year expenditures. The District did not have any outstanding encumbrances at June 30, 2006.

COUNTY SERVICE AREA NO. 7
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 3 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2006, consist of the following:

Deposits with County of Fresno Treasurer	<u>\$ 74,050</u>
Total cash and cash equivalents	<u>\$ 74,050</u>

Cash and cash equivalents as of June 30, 2006, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	<u>\$ 74,050</u>
Total cash and cash equivalents	<u>\$ 74,050</u>

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2006.

NOTE 4 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation, which is likely to have a material adverse affect on the financial position of the District.

**COUNTY SERVICE AREA NO. 10
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended
June 30, 2007**

COUNTY SERVICE AREA NO. 10
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2007

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 10 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 10 as of June 30, 2007, and the respective changes in financial position and cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 10 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
April 17, 2008

COUNTY SERVICE AREA NO. 10
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2007

ASSETS

Current assets:

Cash and cash equivalents	\$ 192,256
Receivables:	
Accounts	20,390
Interest	<u>2,380</u>
Total current assets	<u>215,026</u>

Noncurrent assets:

Capital assets:

Nondepreciable:

Land	1,199
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Depreciable:

Machinery and equipment	99,397
Less: accumulated depreciation	<u>(83,274)</u>

Total noncurrent assets	<u>17,322</u>
-------------------------	---------------

Total assets	<u>232,348</u>
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LIABILITIES

Current liabilities:

Accounts payable	<u>11,220</u>
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Total liabilities	<u>11,220</u>
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NET ASSETS

Invested in capital assets	17,322
Unrestricted	<u>203,806</u>
Total net assets	<u>\$ 221,128</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 10
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2007

Operating revenues:	
Charges for services	\$ 86,737
Other operating revenues	31,989
Total operating revenues	<u>118,726</u>
Operating expenses:	
Insurance	855
Professional and specialized services	46,358
Specialized departmental expenses	515
General and administrative	3,664
Repairs and maintenance	19,224
Utilities	21,417
Depreciation	2,313
Total operating expenditures	<u>94,346</u>
Operating income (loss)	<u>24,380</u>
Nonoperating revenues (expenses):	
Investment earnings	8,286
Property taxes	1,802
Homeowners tax relief / in-lieu of taxes	33
Total nonoperating revenues (expenses)	<u>10,121</u>
Change in net assets	34,501
Total net assets - beginning	<u>186,627</u>
Total net assets - ending	<u>\$ 221,128</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 10
County of Fresno, California
(A Component Unit of the County of Fresno)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2007

Cash flow from operating activities:	
Cash received from users	\$ 84,658
Cash paid to suppliers	(88,725)
Other operating receipts	<u>31,989</u>
Net cash provided by (used in) operating activities	<u>27,922</u>
Cash flows from non-capital financing activities:	
Property taxes received	<u>1,835</u>
Net cash provided by (used in) non-capital financing activities	<u>1,835</u>
Cash flows from investing activities:	
Interest on investments	<u>7,462</u>
Net cash provided by (used in) investing activities	<u>7,462</u>
Net increase (decrease) in cash and cash equivalents	<u>37,219</u>
Cash and cash equivalents - beginning	<u>155,037</u>
Cash and cash equivalents - ending	<u><u>\$ 192,256</u></u>

**Reconciliation of Operating Income (Loss) to Net Cash
Provided by (Used in) Operating Activities:**

Operating income (loss)	\$ 24,380
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	2,313
(Increase) decrease in accounts receivable	(2,079)
Increase (decrease) in accounts payable	<u>3,308</u>
Total adjustments	<u>3,542</u>
Net cash provided by (used in) operating activities	<u><u>\$ 27,922</u></u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 10
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

County Service Area No. 10, a special district (District), is an enterprise fund of the County of Fresno (County), which is a political subdivision of the State of California. The function of the District is to provide water and street lighting for the community and to maintain the roadway median, recreation building and bridle paths of Cumorah Knolls, Tract 1838. This subdivision is located northwest of Shaw and Academy Avenues.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

The District was formed in 1963 under the provisions of Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors. The District is not subject to federal or state income taxes. The District is a component unit of the County of Fresno.

The District itself does not employ any personnel. The Department of Public Works and Planning staff provides the necessary services such as maintenance, accounting, financial reporting, and auditing to the District on a reimbursement basis.

B. Basis of Accounting

Pursuant to Governmental Accounting Standards Board (GASB) Standard No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary fund Accounting*, all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued before November 30, 1989, are applied to proprietary operations unless they conflict with GASB pronouncements. The District has elected not to apply FASB statements issued subsequent to November 30, 1989.

The District is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and nonmajor funds aggregated.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the government body is that the cost and expenses of providing goods or services to its customers be financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

COUNTY SERVICE AREA NO. 10
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting (Continued)

Enterprise funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The District's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the District based on the ending cash balances in the County of Fresno Treasury.

2. Accounts Receivable

The “direct write-off” method for accounts receivable was applied for accounts that had been established as uncollectible. As expense was recognized when an account was referred to the Revenue Reimbursement Division of the Auditor-Controller/Treasurer-Tax Collector and a Discharge of Accountability was received. The “direct write-off” method is not in compliance with generally accepted accounting principles, but the result was deemed immaterial to the financial statements as a whole. The District did not record any amount of allowance for uncollectible accounts during the period.

3. Accounts Payable

Certain costs are incurred by the District during the current reporting period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. The District's current accounts payable balance of \$11,220 as of June 30, 2007, is related to certain contract services and payments for utility fees.

COUNTY SERVICE AREA NO. 10
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

4. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (not rounded) and an estimated useful life in excess of one year. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated or contributed fixed assets are recorded at their estimated fair value on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of buildings, plants, and machinery and equipment is computed using the straight-line method over the following estimated useful lives:

<u>Equipment Type</u>	<u>Useful Life</u>
AC Mains	70 Years
Pressure Tanks	50 Years
Master Meters, Fire Hydrants and Extensions, Gate Valves, and Wells	40 Years
Water Meters	15-40 Years
Computer Equipment	15 Years
Pump Assembly	10 Years

5. Net Assets

Net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

COUNTY SERVICE AREA NO. 10
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

6. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIIIA (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

7. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COUNTY SERVICE AREA NO. 10
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 2—CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2007, consist of the following:

Deposits with County of Fresno Treasurer	<u>\$ 192,256</u>
Total cash and cash equivalents	<u>\$ 192,256</u>

Cash and cash equivalents as of June 30, 2007, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	<u>\$ 192,256</u>
Total cash and cash equivalents	<u>\$ 192,256</u>

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2007.

NOTE 3—CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007, was as follows:

	July 1, 2006 Balance	Additions	Deletions	June 30, 2007 Balance
Capital assets not being depreciated:				
Land	<u>\$ 1,199</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,199</u>
Total capital assets not being depreciated	<u>1,199</u>	<u>-</u>	<u>-</u>	<u>1,199</u>
Capital assets being depreciated:				
Machinery and equipment	<u>99,397</u>	<u>-</u>	<u>-</u>	<u>99,397</u>
Total capital assets being depreciated	<u>99,397</u>	<u>-</u>	<u>-</u>	<u>99,397</u>
Less accumulated depreciation:				
Machinery and equipment	<u>(80,961)</u>	<u>(2,313)</u>	<u>-</u>	<u>(83,274)</u>
Total depreciation	<u>(80,961)</u>	<u>(2,313)</u>	<u>-</u>	<u>(83,274)</u>
Capital Assets, Net	<u>\$ 19,635</u>	<u>\$ (2,313)</u>	<u>\$ -</u>	<u>\$ 17,322</u>

**COUNTY SERVICE AREA NO. 10
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007**

NOTE 4—RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 5—COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation which is likely to have a material adverse affect on the financial position of the District.

**COUNTY SERVICE AREA NO. 10
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended
June 30, 2006**

COUNTY SERVICE AREA NO. 10
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 10 (District), a component unit of the County of Fresno, as of and for the fiscal year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 10 as of June 30, 2006, and the respective changes in financial position and cash flows, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 10 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
May 24, 2007

COUNTY SERVICE AREA NO. 10
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2006

ASSETS

Current assets:

Cash and cash equivalents \$ 155,037

Receivables:

Accounts 18,311

Interest 1,557

Total current assets 174,905

Noncurrent assets:

Capital assets:

Nondepreciable:

Land 1,199

Depreciable:

Machinery and equipment 99,397

Less: accumulated depreciation (80,961)

Total noncurrent assets 19,635

Total assets 194,540

LIABILITIES

Current liabilities:

Accounts payable 7,912

Total liabilities 7,912

NET ASSETS

Invested in capital assets 19,635

Unrestricted 166,993

Total net assets \$ 186,628

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 10
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2006

Operating revenues:	
Charges for services	\$ 80,291
Other operating revenues	<u>31,989</u>
Total operating revenues	<u>112,280</u>
Operating expenses:	
Insurance	631
Professional and specialized services	41,196
Specialized departmental expenses	515
General and administrative	4,662
Repairs and maintenance	31,525
Utilities	18,748
Depreciation	<u>2,449</u>
Total operating expenditures	<u>99,726</u>
Operating income (loss)	<u>12,554</u>
Nonoperating revenues (expenses):	
Investment earnings	4,866
Property taxes	732
Homeowners tax relief / in-lieu of taxes	<u>33</u>
Total nonoperating revenues (expenses)	<u>5,631</u>
Change in net assets	18,185
Total net assets - beginning	<u>168,443</u>
Total net assets - ending	<u>\$ 186,628</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 10
County of Fresno, California
(A Component Unit of the County of Fresno)

STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2006

Cash flow from operating activities:	
Cash received from users	\$ 73,891
Cash paid to suppliers	(103,289)
Other operating receipts	<u>31,989</u>
Net cash provided by (used in) operating activities	<u>2,591</u>
Cash flows from non-capital financing activities:	
Property taxes received	<u>765</u>
Net cash provided by (used in) non-capital financing activities	<u>765</u>
Cash flows from investing activities:	
Interest on investments	<u>4,325</u>
Net cash provided by (used in) investing activities	<u>4,325</u>
Net increase (decrease) in cash and cash equivalents	<u>7,681</u>
Cash and cash equivalents - beginning	<u>147,356</u>
Cash and cash equivalents - ending	<u>\$ 155,037</u>

**Reconciliation of Operating Income (Loss) to Net Cash
Provided by (Used in) Operating Activities:**

Operating income (loss)	\$ 12,554
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	2,449
(Increase) decrease in accounts receivable	(6,400)
Increase (decrease) in accounts payable	<u>(6,012)</u>
Total adjustments	<u>(9,963)</u>
Net cash provided by (used in) operating activities	<u>\$ 2,591</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 10
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

County Service Area No. 10, a special district (District), is an enterprise fund of the County of Fresno (County), which is a political subdivision of the State of California. The function of the District is to provide water and street lighting for the community and to maintain the roadway median, recreation building and bridle paths of Cumorah Knolls, Tract 1838. This subdivision is located northwest of Shaw and Academy Avenues.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

The District was formed in 1963 under the provisions of Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors. The District is not subject to federal or state income taxes. The District is a component unit of the County of Fresno.

The District itself does not employ any personnel. The Department of Public Works and Planning staff provides the necessary services such as maintenance, accounting, financial reporting, and auditing to the District on a reimbursement basis.

B. Basis of Accounting

Pursuant to Governmental Accounting Standards Board (GASB) Standard No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary fund Accounting*, all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued before November 30, 1989, are applied to proprietary operations unless they conflict with GASB pronouncements. The District has elected not to apply FASB statements issued subsequent to November 30, 1989.

The District is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the government body is that the cost and expenses of providing goods or services to its customers be financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

COUNTY SERVICE AREA NO. 10
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting (Continued)

Enterprise funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The District's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the District based on the ending cash balances in the County of Fresno Treasury.

2. Accounts Receivable

The "direct write-off" method for accounts receivable was applied for accounts that had been established as uncollectible. As expense was recognized when an account was referred to the Revenue Reimbursement Division of the Auditor-Controller/Treasurer-Tax Collector and a Discharge of Accountability was received. The "direct write-off" method is not in compliance with generally accepted accounting principles, but the result was deemed immaterial to the financial statements as a whole. The District recorded a total of \$139 of allowance for uncollectible accounts during the period.

3. Accounts Payable

Certain costs are incurred by the District during the current reporting period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. The District's current accounts payable balance of \$7,912 as of June 30, 2006, is related to certain contract services and payments for utility fees.

COUNTY SERVICE AREA NO. 10
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

4. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (not rounded) and an estimated useful life in excess of one year. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated or contributed fixed assets are recorded at their estimated fair value on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of buildings, plants, and machinery and equipment is computed using the straight-line method over the following estimated useful lives:

<u>Equipment Type</u>	<u>Useful Life</u>
AC Mains	70 Years
Pressure Tanks	50 Years
Master Meters, Fire Hydrants and Extensions, Gate Valves, and Wells	40 Years
Water Meters	15-40 Years
Computer Equipment	15 Years
Pump Assembly	10 Years

5. Net Assets

Net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

COUNTY SERVICE AREA NO. 10
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

6. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIIIA (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

7. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COUNTY SERVICE AREA NO. 10
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 2— CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2006, consist of the following:

Deposits with County of Fresno Treasurer	<u>\$ 155,037</u>
Total cash and cash equivalents	<u>\$ 155,037</u>

Cash and cash equivalents as of June 30, 2006, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	<u>\$ 155,037</u>
Total cash and cash equivalents	<u>\$ 155,037</u>

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2006.

NOTE 3— CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006, was as follows:

	July 1, 2005 Balance	Additions	Deletions	June 30, 2006 Balance
Capital assets not being depreciated:				
Land	\$ 1,199	\$ -	\$ -	\$ 1,199
Total capital assets not being depreciated	<u>1,199</u>	<u>-</u>	<u>-</u>	<u>1,199</u>
Capital assets being depreciated:				
Machinery and equipment	99,397	-	-	99,397
Total capital assets being depreciated	<u>99,397</u>	<u>-</u>	<u>-</u>	<u>99,397</u>
Less accumulated depreciation:				
Machinery and equipment	(78,512)	(2,449)	-	(80,961)
Total depreciation	<u>(78,512)</u>	<u>(2,449)</u>	<u>-</u>	<u>(80,961)</u>
Capital Assets, Net	<u>\$ 22,084</u>	<u>\$ (2,449)</u>	<u>\$ -</u>	<u>\$ 19,635</u>

COUNTY SERVICE AREA NO. 10
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 4— RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 5— COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation, which is likely to have a material adverse affect on the financial position of the District.

**COUNTY SERVICE AREA NO. 14
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended
June 30, 2007**

COUNTY SERVICE AREA NO. 14
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2007

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 14 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 14 of County of Fresno, California, as of June 30, 2007, and the respective changes in financial position and cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 14 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
April 17, 2008

COUNTY SERVICE AREA NO. 14
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2007

ASSETS

Current assets:

Cash and cash equivalents	\$ 53,825
Receivables:	
Taxes	42
Interest	660
Total current assets	<u>54,527</u>

Capital assets:

Nondepreciable:	
Land	1,695
Depreciable:	
Structure and improvements	25,310
Machinery and equipment	13,428
Less: accumulated depreciation	<u>(26,997)</u>
Total capital assets	<u>13,436</u>
Total assets	<u>67,963</u>

LIABILITIES

Current liabilities:

Accounts payable	<u>4,355</u>
Total liabilities	<u>4,355</u>

NET ASSETS

Invested in capital assets	13,436
Unrestricted	<u>50,172</u>
Total net assets	<u>\$ 63,608</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 14
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2007

Operating revenues:	
Charges for services	\$ 238
Other operating revenues	<u>17,167</u>
Total operating revenues	<u>17,405</u>
Operating expenses:	
Insurance	387
Repairs and maintenance	5,356
Memberships and publications	6
Office expense	93
Professional and specialized services	12,680
Specialized departmental expenses	1,111
Utilities	7,856
Depreciation	<u>2,655</u>
Total operating expenses	<u>30,144</u>
Operating income (loss)	<u>(12,739)</u>
Non-operating revenues (expenses):	
Investment earnings	2,369
Property taxes	8,834
Homeowner's tax relief	138
Federal in-lieu housing	<u>1</u>
Total non-operating revenues (expenses)	<u>11,342</u>
Change in net assets	(1,397)
Net assets - beginning	<u>65,005</u>
Net assets - ending	<u>\$ 63,608</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 14
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2007

Cash flows from operating activities:	
Cash received from users	\$ 324
Cash paid to suppliers	(26,694)
Other operating receipts	<u>17,167</u>
Net cash provided by (used in) operating activities	<u>(9,203)</u>
Cash flows from non-capital financing activities:	
Property taxes received	<u>8,973</u>
Net cash provided by (used in) non-capital financing activities	<u>8,973</u>
Cash flows from investing activities:	
Interest on investments	<u>2,219</u>
Net cash provided by (used in) investing activities	<u>2,219</u>
Net increase (decrease) in cash and cash equivalents	1,989
Cash and cash equivalents - beginning	<u>51,836</u>
Cash and cash equivalents - ending	<u><u>\$ 53,825</u></u>

**Reconciliation of Operating Income (Loss) to Net Cash
Provided by (Used in) Operating Activities:**

Operating income (loss)	\$ (12,739)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) by operating activities:	
Depreciation	2,655
(Increase) decrease in accounts receivable	86
(Increase) decrease in prepaid expenses	-
Increase (decrease) in accounts payable	<u>795</u>
Total adjustments	<u>3,536</u>
Net cash provided by (used in) operating activities	<u><u>\$ (9,203)</u></u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 14
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

County Service Area No. 14, a special district (District), is an enterprise fund of the County of Fresno (County), which is a political subdivision of the State of California. The function of the District is to maintain the community water system, storm drainage and street lighting for the subdivision of Belmont Manor, Tract 2031. The subdivision is located at Belmont and Leonard Avenues. The District is not subject to federal or state income taxes.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

The District was formed in 1970 under the provisions of Government code Section 25210.1 et. seq., and is governed by the County Board of Supervisors. The District is a component unit of the County of Fresno.

The District itself does not employ any personnel. The Department of Public Works and Planning staff provides the necessary services such as maintenance and accounting to the District on a reimbursement basis.

B. Basis of Accounting

Pursuant to Governmental Accounting Standards Board (GASB) Standard No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary fund Accounting*, all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued before November 30, 1989, are applied to proprietary operations unless they conflict with GASB pronouncements. The District has elected not to apply FASB statements issued subsequent to November 30, 1989.

The District is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the cost and expenses of providing goods or services to its customers be financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

COUNTY SERVICE AREA NO. 14
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting (Continued)

Enterprise funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The District's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the District based on ending cash balances in the County of Fresno Treasury.

2. Accounts Payable

Certain costs are incurred by the District during the current reporting period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. The District's current accounts payable balance of \$4,355 as of June 30, 2007, is related to certain contract services and payments for utility fees.

3. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (not rounded) and an estimated useful life in excess of one year. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated or contributed fixed assets are recorded at their estimated fair value on the date received.

COUNTY SERVICE AREA NO. 14
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

3. Capital Assets (Continued)

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of buildings, plants, and machinery and equipment is computed using the straight-line method over the following estimated useful lives:

<u>Equipment Type</u>	<u>Useful Life</u>
Shed	5 Years
Pump	10 Years
Land improvements	15 Years
Hydraulic tank	15 Years
Water well	20 Years

4. Net Assets

Net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

5. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

COUNTY SERVICE AREA NO. 14
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

5. Property Taxes (Continued)

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIII A (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2—CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2007, consist of the following:

Deposits with County of Fresno Treasurer	<u>\$ 53,825</u>
Total cash and cash equivalents	<u>\$ 53,825</u>

Cash and cash equivalents as of June 30, 2007, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	<u>\$ 53,825</u>
Total cash and cash equivalents	<u>\$ 53,825</u>

**COUNTY SERVICE AREA NO. 14
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007**

NOTE 2—CASH AND CASH EQUIVALENTS (Continued)

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2007.

NOTE 3—CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007, was as follows:

	July 1, 2006 Balance	Additions	Deletions	June 30, 2007 Balance
Capital assets not being depreciated:				
Land	\$ 1,695	\$ -	\$ -	\$ 1,695
Total capital assets not being depreciated	1,695	-	-	1,695
Capital assets being depreciated:				
Structure and improvements	25,310	-	-	25,310
Machinery and equipment	13,428	-	-	13,428
Total capital assets not being depreciated	38,738	-	-	38,738
Less accumulated depreciation:				
Structure and improvements	(19,298)	(1,951)	-	(21,249)
Machinery and equipment	(5,044)	(704)	-	(5,748)
Total accumulated depreciation	(24,342)	(2,655)	-	(26,997)
Capital Assets, Net	\$ 16,091	\$ (2,655)	\$ -	\$ 13,436

NOTE 4—RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 5—COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation which is likely to have a material adverse affect on the financial position of the District.

**COUNTY SERVICE AREA NO. 14
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended
June 30, 2006**

COUNTY SERVICE AREA NO. 14
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 14 (District), a component unit of the County of Fresno, as of and for the fiscal year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 14 of County of Fresno, California, as of June 30, 2006, and the respective changes in financial position and cash flows, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 14 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
May 24, 2007

COUNTY SERVICE AREA NO. 14
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2006

ASSETS

Current assets:

Cash and cash equivalents	\$ 51,836
Receivables:	
Taxes	128
Interest	510
Total current assets	<u>52,474</u>

Capital assets:

Nondepreciable:	
Land	1,695
Depreciable:	
Structure and improvements	25,310
Machinery and equipment	13,428
Less: accumulated depreciation	<u>(24,342)</u>
Total capital assets	<u>16,091</u>

Total assets	<u>68,565</u>
--------------	---------------

LIABILITIES

Current liabilities:

Accounts payable	<u>3,560</u>
Total liabilities	<u>3,560</u>

NET ASSETS

Invested in capital assets	16,091
Unrestricted	<u>48,914</u>
Total net assets	<u>\$ 65,005</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 14
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2006

Operating revenues:	
Charges for services	\$ 214
Other operating revenues	<u>17,167</u>
Total operating revenues	<u>17,381</u>
Operating expenses:	
Insurance	499
Repairs and maintenance	3,808
Memberships and publications	2
Office expense	134
Professional and specialized services	11,917
Specialized departmental expenses	1,315
Utilities	7,215
Depreciation	<u>2,655</u>
Total operating expenses	<u>27,545</u>
Operating income (loss)	<u>(10,164)</u>
Non-operating revenues (expenses):	
Investment earnings	1,585
Property taxes	6,064
Homeowner's tax relief	139
Federal in-lieu housing	<u>2</u>
Total non-operating revenues (expenses)	<u>7,790</u>
Change in net assets	(2,374)
Net assets - beginning	<u>67,379</u>
Net assets - ending	<u>\$ 65,005</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 14
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2006

Cash flows from operating activities:	
Cash received from users	\$ 516
Cash paid to suppliers	(23,435)
Other operating receipts	<u>17,167</u>
Net cash provided by (used in) operating activities	<u>(5,752)</u>
Cash flows from non-capital financing activities:	
Property taxes received	<u>6,205</u>
Net cash provided by (used in) non-capital financing activities	<u>6,205</u>
Cash flows from investing activities:	
Interest on investments	<u>1,428</u>
Net cash provided by (used in) investing activities	<u>1,428</u>
Net increase (decrease) in cash and cash equivalents	1,881
Cash and cash equivalents - beginning	<u>49,955</u>
Cash and cash equivalents - ending	<u>\$ 51,836</u>

**Reconciliation of Operating Income (Loss) to Net Cash
Provided by (Used in) Operating Activities:**

Operating income (loss)	\$ (10,164)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) by operating activities:	
Depreciation	2,655
(Increase) decrease in accounts receivable	302
(Increase) decrease in prepaid expenses	199
Increase (decrease) in accounts payable	<u>1,256</u>
Total adjustments	<u>4,412</u>
Net cash provided by (used in) operating activities	<u>\$ (5,752)</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 14
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

County Service Area No. 14, a special district (District), is an enterprise fund of the County of Fresno (County), which is a political subdivision of the State of California. The function of the District is to maintain the community water system, storm drainage and street lighting for the subdivision of Belmont Manor, Tract 2031. The subdivision is located at Belmont and Leonard Avenues. The District is not subject to federal or state income taxes.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

The District was formed in 1970 under the provisions of Government code Section 25210.1 et. seq., and is governed by the County Board of Supervisors. The District is a component unit of the County of Fresno.

The District itself does not employ any personnel. The Department of Public Works and Planning staff provides the necessary services such as maintenance and accounting to the District on a reimbursement basis.

B. Basis of Accounting

Pursuant to Governmental Accounting Standards Board (GASB) Standard No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary fund Accounting*, all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued before November 30, 1989, are applied to proprietary operations unless they conflict with GASB pronouncements. The District has elected not to apply FASB statements issued subsequent to November 30, 1989.

The District is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the government body is that the cost and expenses of providing goods or services to its customers be financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

COUNTY SERVICE AREA NO. 14
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting (Continued)

Enterprise funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The District’s cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the District based on ending cash balances in the County of Fresno Treasury.

2. Accounts Payable

Certain costs are incurred by the District during the current reporting period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. The District’s current accounts payable balance of \$3,560 as of June 30, 2006, is related to certain contract services and payments for utility fees.

3. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (not rounded) and an estimated useful life in excess of one year. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated or contributed fixed assets are recorded at their estimated fair value on the date received.

COUNTY SERVICE AREA NO. 14
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

3. Capital Assets (Continued)

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of buildings, plants, and machinery and equipment is computed using the straight-line method over the following estimated useful lives:

<u>Equipment Type</u>	<u>Useful Life</u>
Shed	5 Years
Pump	10 Years
Land improvements	15 Years
Hydraulic tank	15 Years
Water well	20 Years

4. Net Assets

Net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

5. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

COUNTY SERVICE AREA NO. 14
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

5. Property Taxes (Continued)

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIII A (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2— CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2006, consist of the following:

Deposits with County of Fresno Treasurer	<u>\$ 51,836</u>
Total cash and cash equivalents	<u>\$ 51,836</u>

Cash and cash equivalents as of June 30, 2006, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	<u>\$ 51,836</u>
Total cash and cash equivalents	<u>\$ 51,836</u>

**COUNTY SERVICE AREA NO. 14
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006**

NOTE 2— CASH AND CASH EQUIVALENTS (Continued)

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2006.

NOTE 3— CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006, was as follows:

	July 1, 2005 Balance	Additions	Deletions	June 30, 2006 Balance
Capital assets not being depreciated:				
Land	\$ 1,695	\$ -	\$ -	\$ 1,695
Total capital assets not being depreciated	<u>1,695</u>	<u>-</u>	<u>-</u>	<u>1,695</u>
Capital assets being depreciated:				
Structure and improvements	25,310	-	-	25,310
Machinery and equipment	<u>13,428</u>	<u>-</u>	<u>-</u>	<u>13,428</u>
Total capital assets being depreciated	<u>38,738</u>	<u>-</u>	<u>-</u>	<u>38,738</u>
Less accumulated depreciation:				
Structure and improvements	(17,347)	(1,951)	-	(19,298)
Machinery and equipment	<u>(4,340)</u>	<u>(704)</u>	<u>-</u>	<u>(5,044)</u>
Total accumulated depreciation	<u>(21,687)</u>	<u>(2,655)</u>	<u>-</u>	<u>(24,342)</u>
Capital Assets, Net	<u>\$ 18,746</u>	<u>\$ (2,655)</u>	<u>\$ -</u>	<u>\$ 16,091</u>

NOTE 4— RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 5— COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation, which is likely to have a material adverse affect on the financial position of the District.

**COUNTY SERVICE AREA NO. 18
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended
June 30, 2007**

**COUNTY SERVICE AREA NO. 18
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

June 30, 2007

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 18 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 18, as of June 30, 2007, and the respective changes in financial position and the respective budgetary comparison for the major Special Revenue Fund, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 18 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
April 17, 2008

COUNTY SERVICE AREA NO. 18
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
June 30, 2007

	<u>Governmental Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash and cash equivalents	\$ 46,244	\$ -	\$ 46,244
Interest receivable	586	-	586
Total assets	<u>\$ 46,830</u>	<u>-</u>	<u>46,830</u>
LIABILITIES			
Accounts payable	\$ 1,280	-	1,280
Total liabilities	<u>1,280</u>	<u>-</u>	<u>1,280</u>
FUND BALANCE/NET ASSETS			
Fund balance:			
Unreserved	45,550	(45,550)	-
Total fund balance	<u>45,550</u>	<u>(45,550)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 46,830</u>		
Net assets:			
Unrestricted		45,550	45,550
Total net assets		<u>\$ 45,550</u>	<u>\$ 45,550</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 18
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE**
For the Year Ended June 30, 2007

	Governmental Fund	Adjustments	Statement of Activities
Expenditures/Expenses			
Public ways and facilities	\$ 7,182	\$ -	\$ 7,182
Total expenditures/expenses	<u>7,182</u>	<u>-</u>	<u>7,182</u>
Revenues			
Program revenue:			
Charges for services	-	-	-
Total program revenue	<u>-</u>	<u>-</u>	<u>-</u>
Net program expense			(7,182)
General revenue:			
Property taxes	310	-	310
Unrestricted investment earnings	2,334	-	2,334
Total general revenues	<u>2,644</u>	<u>-</u>	<u>2,644</u>
Excess of expenditures over revenues	<u>(4,538)</u>	<u>4,538</u>	<u>-</u>
Change in net assets	-	(4,538)	(4,538)
Fund balance/net assets:			
Beginning of the year	<u>50,088</u>	<u>-</u>	<u>50,088</u>
End of the year	<u>\$ 45,550</u>	<u>\$ -</u>	<u>\$ 45,550</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 18
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance - July 1, 2006	\$ 46,236	\$ 44,915	\$ 49,719	\$ 4,804
Resources (inflows):				
Property taxes	275	275	310	35
Interest	<u>1,000</u>	<u>1,000</u>	<u>2,250</u>	<u>1,250</u>
Amounts available for appropriation	<u>1,275</u>	<u>1,275</u>	<u>2,560</u>	<u>1,285</u>
Charges to Appropriations (outflows):				
Professional and specialized services	2,390	2,390	1,386	1,004
PeopleSoft financials charge	500	500	223	277
Utilities	5,000	5,000	5,133	(133)
Contingencies	<u>789</u>	<u>789</u>	<u>-</u>	<u>789</u>
Total charges to appropriations	<u>8,679</u>	<u>8,679</u>	<u>6,742</u>	<u>1,937</u>
Budgetary Fund Balance - June 30, 2007	<u>\$ 38,832</u>	<u>\$ 37,511</u>	<u>\$ 45,537</u>	<u>\$ 8,026</u>

**Explanation of Differences Between Budgetary Inflows and Outflows and
GAAP Revenues and Expenditures:**

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule not including fund balance	\$ 2,560
Differences - budget to GAAP	
Modified accrual basis of accounting to budgetary basis of accounting	<u>84</u>
Total revenues as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 2,644</u>

Uses/outflows of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 6,742
Differences - budget to GAAP	
Modified accrual basis of accounting to budgetary basis of accounting	<u>440</u>
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 7,182</u>

COUNTY SERVICE AREA NO. 18
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

County Service Area No. 18, a special district (District), is a special revenue fund of the County of Fresno (County), which is a political subdivision of the State of California. The District was formed in 1966 under the provisions of Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors (Board). The District is a component unit of the County of Fresno. The function of the District is to provide street lighting in the unincorporated area near Calwa. Subsequent to its formation, much of the District's area was annexed to the City of Fresno. Therefore, services in the annexed area were no longer required of the District. The District continues to ensure the installation and maintenance of street lighting in the remaining area by contracting with PG&E. The District is not subject to federal or state income taxes.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

The District itself does not employ any personnel. The Department of Public Works and Planning staff provides the necessary services such as maintenance and accounting to the District on a reimbursement basis.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the District's activities. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

COUNTY SERVICE AREA NO. 18
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

Governmental Fund Financial Statements

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures, and changes in fund balance) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues susceptible to accrual are property taxes, interest on investments, and intergovernmental revenues. Property taxes are recorded as revenues in the fiscal year in which they are levied, provided they are collected in the current period or within sixty days thereafter. A one-year availability period is used for all other revenues. Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific expenditures are recognized when all eligibility requirements are met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District reports the following major governmental funds:

The *special revenue fund* accounts for special revenue that is legally restricted to expenditures for a particular purpose. The special revenue fund is the primary operating fund of County Service Area No. 18.

The District adopts annual appropriated budgets for its Special Revenue Fund which is a major fund. Budgetary comparison schedules have been provided for this fund to demonstrate compliance with the budgets.

COUNTY SERVICE AREA NO. 18
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

The District's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the District based on the ending cash balances in the County of Fresno Treasury.

2. Equity

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use in special purposes. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

In the government-wide financial statements, net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

3. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

COUNTY SERVICE AREA NO. 18
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

3. Property Taxes (Continued)

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIIIA (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

4. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the provisions of Sections 29000 through 29143 of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares and legally adopts a final balanced budget on or before August 30 for each fiscal year. Until the adoption of this final balanced budget, appropriations are based on the budget of the preceding year as allowed per Government Code 29124. The final adopted budget is available for review in the Auditor-Controller/Treasurer-Tax Collector's Office.

An operating balanced budget is adopted for each fiscal year for the District on the same modified accrual basis, including encumbrances, to reflect estimated revenues and expenditures. Public hearings are conducted on the proposed budget to review all appropriations and the source of financing. Because the final budget must be balanced, any shortfall in revenue requires an equal reduction in appropriations.

Budgetary control is exercised at the object level, except for fixed assets, which are controlled at the sub-object level. All amendments and any expenditures that exceed appropriations must be authorized and approved by the Board.

COUNTY SERVICE AREA NO. 18
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes in governmental funds. Encumbrance accounting is used to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at the time are reported as reservations of fund balance for subsequent year expenditures. The District did not have any outstanding encumbrances at June 30, 2007.

B. Excess in Expenditures over Appropriations

The District incurred expenditures in excess of appropriation in the following amounts for the fiscal year June 30, 2007:

Utilities	\$ 133
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NOTE 3 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2007, consist of the following:

Deposits with County of Fresno Treasurer	<u>\$ 46,244</u>
Total cash and cash equivalents	<u>\$ 46,244</u>

Cash and cash equivalents as of June 30, 2007, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	<u>\$ 46,244</u>
Total cash and cash equivalents	<u>\$ 46,244</u>

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2007.

COUNTY SERVICE AREA NO. 18
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 4 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation which is likely to have a material adverse affect on the financial position of the District.

**COUNTY SERVICE AREA NO. 18
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended
June 30, 2006**

COUNTY SERVICE AREA NO. 18
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 18 (District), a component unit of the County of Fresno, as of and for the fiscal year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 18, as of June 30, 2006, and the respective changes in financial position and the respective budgetary comparison for the major Special Revenue Fund, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 18 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
May 24, 2007

COUNTY SERVICE AREA NO. 18
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
June 30, 2006

	<u>Governmental Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash and cash equivalents	\$ 50,026	\$ -	\$ 50,026
Interest receivable	<u>502</u>	<u>-</u>	<u>502</u>
Total assets	<u>\$ 50,528</u>	<u>-</u>	<u>50,528</u>
LIABILITIES			
Accounts payable	\$ 440	-	440
Total liabilities	<u>440</u>	<u>-</u>	<u>440</u>
FUND BALANCE/NET ASSETS			
Fund Balance:			
Unreserved	<u>50,088</u>	<u>(50,088)</u>	<u>-</u>
Total fund balance	<u>50,088</u>	<u>(50,088)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 50,528</u>		
Net Assets:			
Unrestricted		<u>50,088</u>	<u>50,088</u>
Total net assets		<u>\$ 50,088</u>	<u>\$ 50,088</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 18
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE**
For the Year Ended June 30, 2006

	<u>Governmental Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/Expenses			
Public ways and facilities	\$ 7,327	\$ -	\$ 7,327
Total expenditures/expenses	<u>7,327</u>	<u>-</u>	<u>7,327</u>
Revenues			
Program revenue:			
Charges for services	-	-	-
Total program revenue	<u>-</u>	<u>-</u>	<u>-</u>
Net program expense			<u>(7,327)</u>
General revenue:			
Property taxes	281	-	281
Unrestricted investment earnings	1,720	-	1,720
Total general revenues	<u>2,001</u>	<u>-</u>	<u>2,001</u>
Excess of expenditures over revenues	<u>(5,326)</u>	<u>5,326</u>	<u>-</u>
Change in net assets	-	(5,326)	(5,326)
Fund balance/net assets:			
Beginning of the year	<u>55,414</u>	<u>-</u>	<u>55,414</u>
End of the year	<u>\$ 50,088</u>	<u>\$ -</u>	<u>\$ 50,088</u>

The notes to the financial statements are an integral part of this statement.

**COUNTY SERVICE AREA NO. 18
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2006**

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance - July 1, 2005	\$ 51,576	\$ 51,576	\$ 55,136	\$ 3,560
Resources (inflows):				
Property taxes	248	248	281	33
Interest	<u>1,200</u>	<u>1,200</u>	<u>1,614</u>	<u>414</u>
Amounts available for appropriation	<u>1,448</u>	<u>1,448</u>	<u>1,896</u>	<u>448</u>
Charges to Appropriations (outflows):				
Professional and specialized services	2,110	3,849	2,144	1,705
PeopleSoft financials charge	-	-	516	(516)
Utilities	4,061	4,061	4,454	(393)
Contingencies	<u>617</u>	<u>199</u>	<u>199</u>	<u>-</u>
Total charges to appropriations	<u>6,788</u>	<u>8,109</u>	<u>7,313</u>	<u>796</u>
Budgetary Fund Balance - June 30, 2006	<u>\$ 46,236</u>	<u>\$ 44,915</u>	<u>\$ 49,719</u>	<u>\$ 4,804</u>

**Explanation of Differences Between Budgetary Inflows and Outflows and
GAAP Revenues and Expenditures:**

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule not including fund balance	\$ 1,896
Differences - budget to GAAP	
Modified accrual basis of accounting to budgetary basis of accounting	<u>105</u>
Total revenues as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 2,001</u>

Uses/outflows of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 7,313
Differences - budget to GAAP	
Modified accrual basis of accounting to budgetary basis of accounting	<u>14</u>
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 7,327</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 18
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

County Service Area No. 18, a special district (District), is a special revenue fund of the County of Fresno (County), which is a political subdivision of the State of California. The District was formed in 1966 under the provisions of Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors (Board). The District is a component unit of the County of Fresno. The function of the District is to provide street lighting in the unincorporated area near Calwa. Subsequent to its formation, much of the District's area was annexed to the City of Fresno. Therefore, services in the annexed area were no longer required of the District. The District continues to ensure the installation and maintenance of street lighting in the remaining area by contracting with PG&E. The District is not subject to federal or state income taxes.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

The District itself does not employ any personnel. The Department of Public Works and Planning staff provides the necessary services such as maintenance and accounting to the District on a reimbursement basis.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the District's activities. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

COUNTY SERVICE AREA NO. 18
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

Governmental Fund Financial Statements

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures, and changes in fund balance) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues susceptible to accrual are property taxes, interest on investments, and intergovernmental revenues. Property taxes are recorded as revenues in the fiscal year in which they are levied, provided they are collected in the current period or within sixty days thereafter. A one-year availability period is used for all other revenues. Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific expenditures are recognized when all eligibility requirements are met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District reports the following major governmental funds:

The *special revenue fund* accounts for special revenue that is legally restricted to expenditures for a particular purpose. The special revenue fund is the primary operating fund of County Service Area No. 18.

The District adopts annual appropriated budgets for its Special Revenue Fund which is a major fund. Budgetary comparison schedules have been provided for this fund to demonstrate compliance with the budgets.

COUNTY SERVICE AREA NO. 18
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

The District's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the Districts based on the ending cash balances in the County of Fresno Treasury.

2. Equity

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use in special purposes. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

In the government-wide financial statements, net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

3. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

COUNTY SERVICE AREA NO. 18
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

3. Property Taxes (Continued)

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIIIA (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

4. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the provisions of Sections 29000 through 29143 of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares and legally adopts a final balanced budget on or before August 30 for each fiscal year. Until the adoption of this final balanced budget, appropriations are based on the budget of the preceding year as allowed per Government Code 29124. The final adopted budget is available for review in the Auditor-Controller/Treasurer-Tax Collector's Office.

An operating balanced budget is adopted for each fiscal year for the District on the same modified accrual basis, including encumbrances, to reflect estimated revenues and expenditures. Public hearings are conducted on the proposed budget to review all appropriations and the source of financing. Because the final budget must be balanced, any shortfall in revenue requires an equal reduction in appropriations.

Budgetary control is exercised at the object level, except for fixed assets, which are controlled at the sub-object level. All amendments and any expenditures that exceed appropriations must be authorized and approved by the Board.

COUNTY SERVICE AREA NO. 18
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes in governmental funds. Encumbrance accounting is used to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at the time are reported as reservations of fund balance for subsequent year expenditures. The District did not have any outstanding encumbrances at June 30, 2006.

B. Excess in Expenditures over Appropriations

The District incurred expenditures in excess of appropriation in the following amounts for the fiscal year June 30, 2006:

PeopleSoft financial charges	\$ 516
Utilities	\$ 393

NOTE 3 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2006, consist of the following:

Deposits with County of Fresno Treasurer	<u>\$ 50,026</u>
Total cash and cash equivalents	<u>\$ 50,026</u>

Cash and cash equivalents as of June 30, 2006, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	<u>\$ 50,026</u>
Total cash and cash equivalents	<u>\$ 50,026</u>

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2006.

COUNTY SERVICE AREA NO. 18
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 4 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation, which is likely to have a material adverse affect on the financial position of the District.

COUNTY SERVICE AREA NO. 19
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

For the Year Ended
June 30, 2007

COUNTY SERVICE AREA NO. 19
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2007

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 19 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2007, which collectively comprise the District's financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 financial position of County Service Area No. 19, as of June 30, 2007, and the respective changes in financial position and the respective budgetary comparison for the major Special Revenue Fund, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 19 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
April 17, 2008

COUNTY SERVICE AREA NO. 19
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
June 30, 2007

	<u>Governmental Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash and cash equivalents	\$ 7,495	\$ -	\$ 7,495
Interest receivable	91	-	91
Total assets	<u>\$ 7,586</u>	<u>-</u>	<u>7,586</u>
LIABILITIES			
Accounts payable	\$ 348	-	348
Total liabilities	<u>348</u>	<u>-</u>	<u>348</u>
FUND BALANCE/NET ASSETS			
Fund balance:			
Unreserved	<u>7,238</u>	<u>(7,238)</u>	<u>-</u>
Total fund balance	<u>7,238</u>	<u>(7,238)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 7,586</u>		
Net assets:			
Unrestricted		<u>7,238</u>	<u>7,238</u>
Total net assets		<u>\$ 7,238</u>	<u>\$ 7,238</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 19
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE**
For the Year Ended June 30, 2007

	<u>Governmental Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/Expenses			
Public ways and facilities	\$ 1,640	\$ -	\$ 1,640
Total expenditures/expenses	<u>1,640</u>	<u>-</u>	<u>1,640</u>
Revenues			
Program revenue:			
Charges for services	<u>1,694</u>	<u>-</u>	<u>1,694</u>
Total program revenue	<u>1,694</u>	<u>-</u>	<u>1,694</u>
Net program expense			<u>54</u>
General revenues:			
Property taxes	575	-	575
Unrestricted investment earnings	315	-	315
Miscellaneous	<u>8</u>	<u>-</u>	<u>8</u>
Total general revenues	<u>898</u>	<u>-</u>	<u>898</u>
Excess of expenditures over revenues	<u>952</u>	<u>(952)</u>	<u>-</u>
Change in net assets	-	952	952
Fund balance/net assets:			
Beginning of the year	<u>6,286</u>	<u>-</u>	<u>6,286</u>
End of the year	<u><u>\$ 7,238</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,238</u></u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 19
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance - July 1, 2006	\$ 6,823	\$ 5,491	\$ 6,302	\$ 811
Resources (inflows):				
Taxes	320	320	574	254
Use of money and property	100	100	286	186
Intergovernmental revenues	-	-	8	8
Charges for current services	1,697	1,697	1,694	(3)
Amounts available for appropriation	<u>2,117</u>	<u>2,117</u>	<u>2,562</u>	<u>445</u>
Charges to Appropriations (outflows):				
Services and supplies	2,310	2,310	1,452	858
Appropriations for contingencies	231	231	-	231
Total charges to appropriations	<u>2,541</u>	<u>2,541</u>	<u>1,452</u>	<u>1,089</u>
Budgetary Fund Balance - June, 30 2007	<u>\$ 6,399</u>	<u>\$ 5,067</u>	<u>\$ 7,412</u>	<u>\$ 2,345</u>

**Explanation of Differences Between Budgetary Inflows and Outflows and
GAAP Revenues and Expenditures:**

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule not including fund balance	\$ 2,562
Differences - budget to GAAP	
Modified accrual basis of accounting to budgetary basis of accounting	<u>30</u>
Total revenues as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 2,592</u>

Uses/outflows of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,452
Differences - budget to GAAP	
Modified accrual basis of accounting to budgetary basis of accounting	<u>188</u>
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 1,640</u>

COUNTY SERVICE AREA NO. 19
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

County Service Area No. 19, a special district (District) is a special revenue fund of the County of Fresno (County), which is a political subdivision of the State of California. The District is comprised of two independent zones located throughout the County. The District was formed in 1967 under the provisions of the Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors (Board). The District is a component unit of the County of Fresno. The function of the District is to provide street lighting to the inhabitants along Hampton Avenue, east of Hayes Avenue. The District is not subject to federal or state income taxes.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

The District itself does not employ any personnel. The Department of Public Works and Planning staff provides the necessary services such as maintenance and accounting to the District on a reimbursement basis.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the District's activities. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

COUNTY SERVICE AREA NO. 19
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental Fund Financial Statements

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures, and changes in fund balance) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues susceptible to accrual are property taxes, interest on investments, and intergovernmental revenues. Property taxes are recorded as revenues in the fiscal year in which they are levied, provided they are collected in the current period or within sixty days thereafter. A one-year availability period is used for all other revenues. Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific expenditures are recognized when all eligibility requirements are met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District reports the following major governmental funds:

The *special revenue fund* accounts for special revenue that is legally restricted to expenditures for a particular purpose. The special revenue fund is the primary operating fund of County Service Area No. 19.

The District adopts annual appropriated budgets for its Special Revenue Fund which is a major fund. Budgetary comparison schedules have been provided for this fund to demonstrate compliance with the budgets.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

The District's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the Districts based on the ending cash balances in the County of Fresno Treasury.

COUNTY SERVICE AREA NO. 19
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

2. Equity

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use in special purposes. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

In the government-wide financial statements, net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

3. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIIIA (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

COUNTY SERVICE AREA NO. 19
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

3. Property Taxes (Continued)

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

4. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the provisions of Sections 29000 through 29143 of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares and legally adopts a final balanced budget on or before August 30 for each fiscal year. Until the adoption of this final balanced budget, appropriations are based on the budget of the preceding year as allowed per Government Code 29124. The final adopted budget is available for review in the Auditor-Controller/Treasurer-Tax Collector's Office.

An operating balanced budget is adopted for each fiscal year for the District on the same modified accrual basis, including encumbrances, to reflect estimated revenues and expenditures. Public hearings are conducted on the proposed budget to review all appropriations and the source of financing. Because the final budget must be balanced, any shortfall in revenue requires an equal reduction in appropriations.

Budgetary control is exercised at the object level, except for fixed assets, which are controlled at the sub-object level. All amendments and any expenditures that exceed appropriations must be authorized and approved by the Board.

Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes in governmental funds. Encumbrance accounting is used to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at the time are reported as reservations of fund balance for subsequent year expenditures. The District did not have any outstanding encumbrances at June 30, 2007.

COUNTY SERVICE AREA NO. 19
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 3 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2007, consist of the following:

Deposits with County of Fresno Treasurer	<u>\$ 7,495</u>
Total cash and cash equivalents	<u>\$ 7,495</u>

Cash and cash equivalents as of June 30, 2007, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	<u>\$ 7,495</u>
Total cash and cash equivalents	<u>\$ 7,495</u>

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2007.

NOTE 4 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation which is likely to have a material adverse affect on the financial position of the District.

COUNTY SERVICE AREA NO. 19
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

For the Year Ended
June 30, 2006

COUNTY SERVICE AREA NO. 19
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 19 (District), a component unit of the County of Fresno, as of and for the fiscal year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 19, as of June 30, 2006, and the respective changes in financial position and the respective budgetary comparison for the major Special Revenue Fund, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 19 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
May 24, 2007

COUNTY SERVICE AREA NO. 19
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
June 30, 2006

	<u>Governmental Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash and cash equivalents	\$ 6,318	\$ -	\$ 6,318
Interest receivable	<u>62</u>	<u>-</u>	<u>62</u>
Total assets	<u>\$ 6,380</u>	<u>-</u>	<u>6,380</u>
LIABILITIES			
Accounts payable	\$ 94	-	94
Total liabilities	<u>94</u>	<u>-</u>	<u>94</u>
FUND BALANCE/NET ASSETS			
Fund Balance:			
Unreserved	<u>6,286</u>	<u>(6,286)</u>	<u>-</u>
Total fund balance	<u>6,286</u>	<u>(6,286)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 6,380</u>		
Net Assets:			
Unrestricted		<u>6,286</u>	<u>6,286</u>
Total net assets		<u>\$ 6,286</u>	<u>\$ 6,286</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 19
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE**
For the Year Ended June 30, 2006

	Governmental Fund	Adjustments	Statement of Activities
Expenditures/Expenses			
Public ways and facilities	\$ 2,875	\$ -	\$ 2,875
Total expenditures/expenses	<u>2,875</u>	<u>-</u>	<u>2,875</u>
Revenues			
Program revenue:			
Charges for services	1,694	-	1,694
Total program revenue	<u>1,694</u>	<u>-</u>	<u>1,694</u>
Net program expense			<u>(1,181)</u>
General revenues:			
Property taxes	477	-	477
Unrestricted investment earnings	263	-	263
Miscellaneous	8	-	8
Total general revenues	<u>748</u>	<u>-</u>	<u>748</u>
Excess of expenditures over revenues	<u>(433)</u>	<u>433</u>	<u>-</u>
Change in net assets	-	(433)	(433)
Fund balance/net assets:			
Beginning of the year	<u>6,719</u>	<u>-</u>	<u>6,719</u>
End of the year	<u>\$ 6,286</u>	<u>\$ -</u>	<u>\$ 6,286</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 19
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance - July 1, 2005	\$ 6,558	\$ 6,558	\$ 6,697	\$ 139
Resources (inflows):				
Taxes	286	286	477	191
Use of money and property	125	125	201	76
Intergovernmental revenues	-	-	8	8
Charges for current services	1,697	1,697	1,694	(3)
Amounts available for appropriation	<u>2,108</u>	<u>2,108</u>	<u>2,380</u>	<u>272</u>
Charges to Appropriations (outflows):				
Services and supplies	1,675	3,175	2,775	400
Appropriations for contingencies	168	-	-	-
Total charges to appropriations	<u>1,843</u>	<u>3,175</u>	<u>2,775</u>	<u>400</u>
Budgetary Fund Balance - June, 30 2006	<u>\$ 6,823</u>	<u>\$ 5,491</u>	<u>\$ 6,302</u>	<u>\$ 811</u>

**Explanation of Differences Between Budgetary Inflows and Outflows and
GAAP Revenues and Expenditures:**

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule not including fund balance	\$ 2,380
Differences - budget to GAAP	
Modified accrual basis of accounting to budgetary basis of accounting	<u>62</u>
Total revenues as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 2,442</u>

Uses/outflows of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 2,775
Differences - budget to GAAP	
Modified accrual basis of accounting to budgetary basis of accounting	<u>100</u>
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 2,875</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 19
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

County Service Area No. 19, a special district (District) is a special revenue fund of the County of Fresno (County), which is a political subdivision of the State of California. The District is comprised of two independent zones located throughout the County. The District was formed in 1967 under the provisions of the Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors (Board). The District is a component unit of the County of Fresno. The function of the District is to provide street lighting to the inhabitants along Hampton Avenue, east of Hayes Avenue. The District is not subject to federal or state income taxes.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

The District itself does not employ any personnel. The Department of Public Works and Planning staff provides the necessary services such as maintenance and accounting to the District on a reimbursement basis.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the District's activities. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

COUNTY SERVICE AREA NO. 19
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental Fund Financial Statements

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures, and changes in fund balance) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues susceptible to accrual are property taxes, interest on investments, and intergovernmental revenues. Property taxes are recorded as revenues in the fiscal year in which they are levied, provided they are collected in the current period or within sixty days thereafter. A one-year availability period is used for all other revenues. Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific expenditures are recognized when all eligibility requirements are met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District reports the following major governmental funds:

The *special revenue fund* accounts for special revenue that is legally restricted to expenditures for a particular purpose. The special revenue fund is the primary operating fund of County Service Area No. 19.

The District adopts annual appropriated budgets for its Special Revenue Fund which is a major fund. Budgetary comparison schedules have been provided for this fund to demonstrate compliance with the budgets.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

The District's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the Districts based on the ending cash balances in the County of Fresno Treasury.

COUNTY SERVICE AREA NO. 19
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

2. Equity

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use in special purposes. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

In the government-wide financial statements, net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

3. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIII A (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

COUNTY SERVICE AREA NO. 19
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

3. Property Taxes (Continued)

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

4. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the provisions of Sections 29000 through 29143 of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares and legally adopts a final balanced budget on or before August 30 for each fiscal year. Until the adoption of this final balanced budget, appropriations are based on the budget of the preceding year as allowed per Government Code 29124. The final adopted budget is available for review in the Auditor-Controller/Treasurer-Tax Collector's Office.

An operating balanced budget is adopted for each fiscal year for the District on the same modified accrual basis, including encumbrances, to reflect estimated revenues and expenditures. Public hearings are conducted on the proposed budget to review all appropriations and the source of financing. Because the final budget must be balanced, any shortfall in revenue requires an equal reduction in appropriations.

Budgetary control is exercised at the object level, except for fixed assets, which are controlled at the sub-object level. All amendments and any expenditures that exceed appropriations must be authorized and approved by the Board.

Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes in governmental funds. Encumbrance accounting is used to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at the time are reported as reservations of fund balance for subsequent year expenditures. The District did not have any outstanding encumbrances at June 30, 2006.

COUNTY SERVICE AREA NO. 19
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 3 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2006, consist of the following:

Deposits with County of Fresno Treasurer	<u>\$ 6,318</u>
Total cash and cash equivalents	<u>\$ 6,318</u>

Cash and cash equivalents as of June 30, 2006, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	<u>\$ 6,318</u>
Total cash and cash equivalents	<u>\$ 6,318</u>

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2006.

NOTE 4 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation, which is likely to have a material adverse affect on the financial position of the District.

**COUNTY SERVICE AREA NO. 23
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended
June 30, 2007**

COUNTY SERVICE AREA NO. 23
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2007

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 23 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

As discussed in Note 1, the financial statements present only County Service Area No. 23 and do not purport to, and do not, present fairly the financial position of the County of Fresno, as of June 30, 2007, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 23 of County of Fresno, California as of June 30, 2007, and the respective changes in financial position and cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 23 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
April 17, 2008

COUNTY SERVICE AREA NO. 23
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2007

ASSETS

Current assets:

Cash and cash equivalents	\$ 2,833
Receivables:	
Accounts	3
Interest	46
	<hr/>
Total assets	<u>2,882</u>

LIABILITIES

Current liabilities:

Accounts payable	<u>1,743</u>
Total liabilities	<u>1,743</u>

NET ASSETS

Unrestricted	<u>1,139</u>
Total net assets	<u><u>\$ 1,139</u></u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 23
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2007

Operating revenues:	
Other operating revenues	\$ 9,841
Total operating revenues	<u>9,841</u>
Operating expenses:	
Insurance	101
Professional and specialized services	6,318
Specialized departmental expenses	687
General and administrative	61
Repairs and maintenance	1,613
Utilities	<u>1,795</u>
Total operating expenses	<u>10,575</u>
Operating income (loss)	<u>(734)</u>
Non-operating revenues (expenses):	
Investment earnings	42
Property taxes	1,745
Homeowners property tax relief	<u>24</u>
Total non-operating revenues (expenses)	<u>1,811</u>
Net income (loss)	1,077
Net assets - beginning	<u>62</u>
Net assets - ending	<u>\$ 1,139</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 23
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2007

Cash flows from operating activities:	
Cash received from users	\$ 21
Cash paid to suppliers	(9,900)
Other operating receipts	<u>9,841</u>
Net cash provided by (used in) operating activities	<u>(38)</u>
Cash flows from non-capital financing activities:	
Property taxes received	<u>1,769</u>
Net cash provided by (used in) non-capital financing activities	<u>1,769</u>
Cash flows from investing activities:	
Interest on investments	<u>4</u>
Net cash provided by (used in) investing activities	<u>4</u>
Net increase (decrease) in cash and cash equivalents	1,735
Cash and cash equivalents - beginning	<u>1,098</u>
Cash and cash equivalents - ending	<u><u>\$ 2,833</u></u>

**Reconciliation of Operating Income (Loss) to Net Cash
Provided by (Used in) Operating Activities:**

Operating income (loss)	\$ (734)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
(Increase) decrease in accounts receivable	21
Increase (decrease) in accounts payable	<u>675</u>
Total adjustments	<u>696</u>
Net cash provided by (used in) operating activities	<u><u>\$ (38)</u></u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 23
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

County Service Area No. 23, a special district (District), is an enterprise fund of the County of Fresno (County), which is a political subdivision of the State of California. The function of the District is to maintain the community water system in Exchenquer Heights, Tract 1994. The subdivision is located approximately three miles southwest of the Dinkey Creek area. Maintenance is provided by contract with the Exchenquer Heights Property Owners Association. The District is not subject to federal or state income taxes.

The District was formed in 1970 under the provisions of Government code Section 25210.1 et. seq., and is governed by the County Board of Supervisors. The District is a component unit of the County of Fresno.

The District itself does not employ any personnel. The Department of Public Works and Planning staff provides the necessary services such as maintenance and accounting to the District on a reimbursement basis.

B. Basis of Accounting

Pursuant to Governmental Accounting Standards Board (GASB) Standard No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary fund Accounting*, all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued before November 30, 1989, are applied to proprietary operations unless they conflict with GASB pronouncements. The District has elected not to apply FASB statements issued subsequent to November 30, 1989.

The District is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the government body is that the cost and expenses of providing goods or services to its customers be financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

COUNTY SERVICE AREA NO. 23
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting (Continued)

Enterprise funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The District's cash are considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the District based on the ending cash balances in the County of Fresno Treasury.

2. Accounts Payable

Certain costs are incurred by the District during the current reporting period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. The District's current accounts payable balance of \$1,743 as of June 30, 2007, is related to certain contract services and payments for utility fees.

3. Net Assets

Net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

COUNTY SERVICE AREA NO. 23
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

Unrestricted – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

4. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIIIA (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

5. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COUNTY SERVICE AREA NO. 23
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 2 — CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2007, consist of the following:

Deposits with County of Fresno Treasurer	<u>\$2,833</u>
Total cash and cash equivalents	<u>\$2,833</u>

Cash and cash equivalents as of June 30, 2007, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	<u>\$2,833</u>
Total cash and cash equivalents	<u>\$2,833</u>

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's prorata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2007.

NOTE 3 — RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 4 — COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation which is likely to have a material adverse affect on the financial position of the District.

**COUNTY SERVICE AREA NO. 23
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended
June 30, 2006**

COUNTY SERVICE AREA NO. 23
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 23 (District), a component unit of the County of Fresno, as of and for the fiscal year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

As discussed in Note 1, the financial statements present only County Service Area No. 23 and do not purport to, and do not, present fairly the financial position of the County of Fresno, as of June 30, 2006, and the changes in its financial position and cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 23 of County of Fresno, California as of June 30, 2006, and the respective changes in financial position and cash flows, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 23 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
May 24, 2007

COUNTY SERVICE AREA NO. 23
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2006

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,098
Receivables:	
Accounts	24
Interest	<u>8</u>
Total assets	<u>1,130</u>

LIABILITIES

Current liabilities:

Accounts payable	<u>1,068</u>
Total liabilities	<u>1,068</u>

NET ASSETS

Unrestricted	<u>62</u>
Total net assets	<u>\$ 62</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 23
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2006

Operating revenues:	
Other operating revenues	\$ 9,562
Total operating revenues	<u>9,562</u>
Operating expenses:	
Insurance	80
Professional and specialized services	6,762
Specialized departmental expenses	863
General and administrative	81
Repairs and maintenance	1,169
Utilities	<u>770</u>
Total operating expenses	<u>9,725</u>
Operating income (loss)	<u>(163)</u>
Non-operating revenues (expenses):	
Investment earnings	44
Property taxes	1,135
Homeowners property tax relief	<u>24</u>
Total non-operating revenues (expenses)	<u>1,203</u>
Net income (loss)	1,040
Net assets - beginning	<u>(978)</u>
Net assets - ending	<u>\$ 62</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 23
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2006

Cash flows from operating activities:	
Cash received from users	\$ (24)
Cash paid to suppliers	(10,161)
Other operating receipts	<u>9,562</u>
Net cash provided by (used in) operating activities	<u>(623)</u>
Cash flows from non-capital financing activities:	
Property taxes received	<u>1,159</u>
Net cash provided by (used in) non-capital financing activities	<u>1,159</u>
Cash flows from investing activities:	
Interest on investments	<u>36</u>
Net cash provided by (used in) investing activities	<u>36</u>
Net increase (decrease) in cash and cash equivalents	572
Cash and cash equivalents - beginning	<u>526</u>
Cash and cash equivalents - ending	<u>\$ 1,098</u>

**Reconciliation of Operating Income (Loss) to Net Cash
Provided by (Used in) Operating Activities:**

Operating income (loss)	\$ (163)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
(Increase) decrease in accounts receivable	(24)
(Increase) decrease in prepaid assets	-
Increase (decrease) in accounts payable	<u>(436)</u>
Total adjustments	<u>(460)</u>
Net cash provided by (used in) operating activities	<u>\$ (623)</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 23
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

County Service Area No. 23, a special district (District), is an enterprise fund of the County of Fresno (County), which is a political subdivision of the State of California. The function of the District is to maintain the community water system in Exchenquer Heights, Tract 1994. The subdivision is located approximately three miles southwest of the Dinkey Creek area. Maintenance is provided by contract with the Exchenquer Heights Property Owners Association. The District is not subject to federal or state income taxes.

The District was formed in 1970 under the provisions of Government code Section 25210.1 et. seq., and is governed by the County Board of Supervisors. The District is a component unit of the County of Fresno.

The District itself does not employ any personnel. The Department of Public Works and Planning staff provides the necessary services such as maintenance and accounting to the District on a reimbursement basis.

B. Basis of Accounting

Pursuant to Governmental Accounting Standards Board (GASB) Standard No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary fund Accounting*, all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued before November 30, 1989, are applied to proprietary operations unless they conflict with GASB pronouncements. The District has elected not to apply FASB statements issued subsequent to November 30, 1989.

The District is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the government body is that the cost and expenses of providing goods or services to its customers be financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

COUNTY SERVICE AREA NO. 23
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting (Continued)

Enterprise funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The District’s cash are considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the District based on the ending cash balances in the County of Fresno Treasury.

2. Accounts Payable

Certain costs are incurred by the District during the current reporting period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. The District’s current accounts payable balance of \$1,068 as of June 30, 2006, is related to certain contract services and payments for utility fees.

3. Net Assets

Net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

COUNTY SERVICE AREA NO. 23
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

4. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIIIA (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

5. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COUNTY SERVICE AREA NO. 23
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 2— CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2006, consist of the following:

Deposits with County of Fresno Treasurer	<u>\$1,098</u>
Total cash and cash equivalents	<u>\$1,098</u>

Cash and cash equivalents as of June 30, 2006, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	<u>\$1,098</u>
Total cash and cash equivalents	<u>\$1,098</u>

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2006.

NOTE 3— RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 4— COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation, which is likely to have a material adverse affect on the financial position of the District.

**COUNTY SERVICE AREA NO. 30
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended
June 30, 2007**

COUNTY SERVICE AREA NO. 30
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2007

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 30 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 30, as of June 30, 2007, and the respective changes in financial position and cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 30 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis California
April 17, 2008

COUNTY SERVICE AREA NO. 30
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2007

ASSETS

Current assets:

Cash and cash equivalents

Receivables: \$ 5,513

Accounts 12,208

Total current assets 17,721

Non-current assets:

Capital assets:

Structures and improvements 488,121

Less: accumulated depreciation (232,915)

Total noncurrent assets 255,206

Total assets 272,927

LIABILITIES

Current liabilities:

Accounts payable 10,804

Due to County of Fresno 16,339

Total liabilities 27,143

NET ASSETS

Invested in capital assets 255,206

Unrestricted (9,422)

Total net assets \$ 245,784

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 30
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2007

Operating revenues:	
Charges for services	\$ 86,752
Total operating revenues	<u>86,752</u>
Operating expenses:	
Agriculture	13,910
Insurance	708
Professional services	42,604
Specialized departmental expenses	5,637
General and administrative	15,898
Repairs and maintenance	1,406
Utilities	9,570
Depreciation	<u>12,888</u>
Total operating expenses	<u>102,621</u>
Operating income (loss)	<u>(15,869)</u>
Non-operating revenues (expenses):	
Investment earnings	(601)
Property taxes	1,192
Homeowners property tax relief	<u>16</u>
Total non-operating revenues (expenses)	<u>607</u>
Net income (loss)	(15,262)
Net assets - beginning	<u>261,046</u>
Net assets - ending	<u>\$ 245,784</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 30
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2007

Cash flows from operating activities:	
Cash received from users	\$ 83,490
Cash paid to suppliers	<u>(91,883)</u>
Net cash provided by (used in) operating activities	<u>(8,393)</u>
Cash flows from non-capital financing activities:	
Property taxes received	1,208
Loan Proceeds	<u>16,339</u>
Net cash provided (used in) non-capital financing activities	<u>17,547</u>
Cash flows from investing activities:	
Interest on investments	<u>(640)</u>
Net cash provided by investing activities	<u>(640)</u>
Net increase (decrease) in cash and cash equivalents	8,514
Cash and cash equivalents - beginning	<u>(3,001)</u>
Cash and cash equivalents - ending	<u><u>\$ 5,513</u></u>

**Reconciliation of Operating Income (Loss) to Net Cash
Provided by (Used in) Operating Activities:**

Operating income (loss)	\$ (15,869)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	12,888
(Increase) decrease in accounts receivable	(3,262)
Increase (decrease) in accounts payable	<u>(2,150)</u>
Total adjustments	<u>7,476</u>
Net cash provided by (used in) operating activities	<u><u>\$ (8,393)</u></u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 30
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

County Service Area No. 30, a special district (District), is an enterprise fund of the County of Fresno (County), which is a political subdivision of the State of California. The function of the District is to provide maintenance of the water and sewer systems, street lighting, and refuse disposal in the subdivision known as El Porvenir, which is located on the west side of Derrick Avenue (Highway 33) near Clarkson Avenue. The District is not subject to federal or state income taxes.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

The District was formed in 1980 under the provisions of Government code Section 25210.1 et. seq., and is governed by the County Board of Supervisors. The District is a component unit of the County of Fresno.

The District itself does not employ any personnel. The Department of Public Works and Planning staff provides the necessary services such as maintenance and accounting to the District on a reimbursement basis.

B. Basis of Accounting

Pursuant to Governmental Accounting Standards Board (GASB) Standard No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary fund Accounting*, all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued before November 30, 1989, are applied to proprietary operations unless they conflict with GASB pronouncements. The District has elected not to apply FASB statements issued subsequent to November 30, 1989.

The District is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the government body is that the cost and expenses of providing goods or services to its customers be financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

COUNTY SERVICE AREA NO. 30
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting (Continued)

Enterprise funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The District's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the District based on the ending cash balances in the County of Fresno Treasury.

2. Accounts Receivable

The “direct write-off” method for accounts receivable was applied for accounts that had been established as uncollectible. As expense was recognized when an account was referred to the Revenue Reimbursement Division of the Auditor-Controller/Treasurer-Tax Collector and a Discharge of Accountability was received. The “direct write-off” method is not in compliance with generally accepted accounting principles, but the result was deemed immaterial to the financial statements as a whole. The District did not record any expenses for bad debts during the period.

3. Accounts Payable

Certain costs are incurred by the District during the current reporting period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. The District's current accounts payable balance of \$10,804 as of June 30, 2007, is related to certain contract services and payments for utility fees.

COUNTY SERVICE AREA NO. 30
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

4. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (not rounded) and an estimated useful life in excess of one year. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated or contributed fixed assets are recorded at their estimated fair value on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of buildings, plants, and machinery and equipment is computed using the straight-line method over the following estimated useful lives:

<u>Property Type</u>	<u>Useful Life</u>
Pump and well replacement	15 Years
Sewer system	24 Years
Water telemetry plant	15 Years
Water treatment plant	25 Years
Water storage tank	30 Years

5. Net Assets

Net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

COUNTY SERVICE AREA NO. 30
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

6. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIIIA (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County record tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

7. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COUNTY SERVICE AREA NO. 30
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 2 — CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2007, consist of the following:

Deposits with the County of Fresno Treasurer	<u>\$ 5,513</u>
Total cash and cash equivalents	<u>\$ 5,513</u>

Cash and cash equivalents as of June 30, 2007, are classified in the accompanying financial statements as follows:

Cash and cash equivalents	<u>\$ 5,513</u>
Total cash and cash equivalents	<u>\$ 5,513</u>

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2007.

NOTE 3 — CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007, was as follows:

	July 1, 2006 Balance	Additions	Deletions	June 30, 2007 Balance
Capital assets being depreciated:				
Structures and improvements	\$ 488,121	\$ -	\$ -	\$ 488,121
Total capital assets being depreciated	<u>488,121</u>	<u>-</u>	<u>-</u>	<u>488,121</u>
Less accumulated depreciation:				
Structures and improvements	(220,027)	(12,888)	-	(232,915)
Total depreciation	<u>(220,027)</u>	<u>(12,888)</u>	<u>-</u>	<u>(232,915)</u>
Capital Assets, Net	<u>\$ 268,094</u>	<u>\$ (12,888)</u>	<u>\$ -</u>	<u>\$ 255,206</u>

COUNTY SERVICE AREA NO. 30
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 4 — RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 5 — COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation which is likely to have a material adverse affect on the financial position of the District.

**COUNTY SERVICE AREA NO. 30
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended
June 30, 2006**

COUNTY SERVICE AREA NO. 30
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 30 (District), a component unit of the County of Fresno, as of and for the fiscal year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 30, as of June 30, 2006, and the respective changes in financial position and cash flows, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 30 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis California
May 24, 2007

COUNTY SERVICE AREA NO. 30
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2006

ASSETS

Current assets:

Receivables:

Accounts	\$ 8,947
Interest	<u>(40)</u>

Total current assets	<u>8,907</u>
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Non-current assets:

Capital assets:

Structures and improvements	488,121
Less: accumulated depreciation	<u>(220,027)</u>

Total noncurrent assets	<u>268,094</u>
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Total assets	<u>277,001</u>
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LIABILITIES

Current liabilities:

Accounts payable	12,954
Due to County of Fresno	<u>3,001</u>

Total liabilities	<u>15,955</u>
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NET ASSETS

Invested in capital assets	268,094
Unrestricted	<u>(7,048)</u>

Total net assets	<u>\$ 261,046</u>
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The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 30
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2006

Operating revenues:	
Charges for services	\$ 65,971
Total operating revenues	<u>65,971</u>
Operating expenses:	
Agriculture	1,946
Insurance	265
Professional services	49,175
Specialized departmental expenses	2,792
General and administrative	7,123
Repairs and maintenance	3,089
Utilities	17,395
Depreciation	<u>12,888</u>
Total operating expenses	<u>94,673</u>
Operating income (loss)	<u>(28,702)</u>
Non-operating revenues (expenses):	
Investment earnings	214
Property taxes	371
Homeowners property tax relief	<u>16</u>
Total non-operating revenues (expenses)	<u>601</u>
Net income (loss)	(28,101)
Net assets - beginning	<u>289,147</u>
Net assets - ending	<u>\$ 261,046</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 30
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2006

Cash flows from operating activities:	
Cash received from users	\$ 64,046
Cash paid to suppliers	<u>(74,563)</u>
Net cash provided by (used in) operating activities	<u>(10,517)</u>
Cash flows from non-capital financing activities:	
Property taxes received	<u>387</u>
Net cash provided (used in) non-capital financing activities	<u>387</u>
Cash flows from investing activities:	
Interest on investments	<u>255</u>
Net cash provided by investing activities	<u>255</u>
Net increase (decrease) in cash and cash equivalents	(9,875)
Cash and cash equivalents - beginning	<u>9,875</u>
Cash and cash equivalents - ending	<u>\$ -</u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating income (loss)	\$ (28,702)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	12,888
(Increase) decrease in accounts receivable	(1,925)
Increase (decrease) in cash overdraft	3,001
Increase (decrease) in accounts payable	<u>4,221</u>
Total adjustments	<u>18,185</u>
Net cash provided by (used in) operating activities	<u>\$ (10,517)</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 30
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

County Service Area No. 30, a special district (District), is an enterprise fund of the County of Fresno (County), which is a political subdivision of the State of California. The function of the District is to provide maintenance of the water and sewer systems, street lighting, and refuse disposal in the subdivision known as El Porvenir, which is located on the west side of Derrick Avenue (Highway 33) near Clarkson Avenue. The District is not subject to federal or state income taxes.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

The District was formed in 1980 under the provisions of Government code Section 25210.1 et. seq., and is governed by the County Board of Supervisors. The District is a component unit of the County of Fresno.

The District itself does not employ any personnel. The Department of Public Works and Planning staff provides the necessary services such as maintenance and accounting to the District on a reimbursement basis.

B. Basis of Accounting

Pursuant to Governmental Accounting Standards Board (GASB) Standard No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary fund Accounting*, all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued before November 30, 1989, are applied to proprietary operations unless they conflict with GASB pronouncements. The District has elected not to apply FASB statements issued subsequent to November 30, 1989.

The District is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the government body is that the cost and expenses of providing goods or services to its customers be financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

COUNTY SERVICE AREA NO. 30
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting (Continued)

Enterprise funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The District's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the District based on the ending cash balances in the County of Fresno Treasury.

2. Accounts Receivable

The "direct write-off" method for accounts receivable was applied for accounts that had been established as uncollectible. As expense was recognized when an account was referred to the Revenue Reimbursement Division of the Auditor-Controller/Treasurer-Tax Collector and a Discharge of Accountability was received. The "direct write-off" method is not in compliance with generally accepted accounting principles, but the result was deemed immaterial to the financial statements as a whole. The District did not record any expenses for bad debts during the period.

3. Accounts Payable

Certain costs are incurred by the District during the current reporting period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. The District's current accounts payable balance of \$12,954 as of June 30, 2006, is related to certain contract services and payments for utility fees.

COUNTY SERVICE AREA NO. 30
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

4. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (not rounded) and an estimated useful life in excess of one year. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated or contributed fixed assets are recorded at their estimated fair value on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of buildings, plants, and machinery and equipment is computed using the straight-line method over the following estimated useful lives:

<u>Property Type</u>	<u>Useful Life</u>
Sewer system	24 Years
Water telemetry plant	15 Years
Water treatment plant	25 Years
Water storage tank	30 Years

5. Net Assets

Net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

COUNTY SERVICE AREA NO. 30
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

6. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIIIA (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

Teeter Plan – County of Fresno elected the alternative property tax treatment (*Teeter Plan*) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County record tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the *Teeter Plan*.

7. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COUNTY SERVICE AREA NO. 30
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 2—DUE TO COUNTY OF FRESNO

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form. As of June 30, 2006, the District was overdrawn \$3,001 from the County of Fresno cash pool.

The District does not have any deposits with financial institutions as of June 30, 2006.

NOTE 3—CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006, was as follows:

	July 1, 2005 Balance	Additions	Deletions	June 30, 2006 Balance
Capital assets being depreciated:				
Structures and improvements	\$ 488,121	\$ -	\$ -	\$ 488,121
Total capital assets being depreciated	488,121	-	-	488,121
Less accumulated depreciation:				
Structures and improvements	(207,139)	(12,888)	-	(220,027)
Total depreciation	(207,139)	(12,888)	-	(220,027)
Capital Assets, Net	\$ 280,982	\$ (12,888)	\$ -	\$ 268,094

NOTE 4—RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 5—COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation, which is likely to have a material adverse affect on the financial position of the District.

**COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended
June 30, 2007**

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
June 30, 2007

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of County Service Area No. 31 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 financial position of the governmental activities, the business-type activities and each major fund of County Service Area No. 31, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows and the budgetary comparison for the major Special Revenue Fund, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 31 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
April 17, 2008

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 537,060	\$ 266,517	\$ 803,577
Receivables:			
Accounts	-	25,563	25,563
Interest	4,843	3,518	8,361
Capital assets not being depreciated:			
Land	-	329,842	329,842
Capital assets, net of accumulated depreciation:			
Structures and improvements	174,608	4,518,239	4,692,847
Machinery and equipment	379,487	27,302	406,789
Total assets	<u>1,095,998</u>	<u>5,170,981</u>	<u>6,266,979</u>
LIABILITIES			
Accounts payable	54,619	40,519	95,138
Total liabilities	<u>54,619</u>	<u>40,519</u>	<u>95,138</u>
NET ASSETS			
Invested in capital assets	554,095	4,875,383	5,429,478
Unrestricted	487,284	255,079	742,363
Total net assets	<u>\$ 1,041,379</u>	<u>\$ 5,130,462</u>	<u>\$ 6,171,841</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary Government:						
Governmental Activities:						
Public ways and facilities	\$ 237,341	\$ 269,725	\$ 190,000	\$ 222,384	\$ -	\$ 222,384
Total governmental activities	<u>237,341</u>	<u>269,725</u>	<u>190,000</u>	<u>222,384</u>	<u>-</u>	<u>222,384</u>
Business Activities:						
Water and sewer	529,205	270,590	-	-	(258,615)	(258,615)
Total business-type activities	<u>529,205</u>	<u>270,590</u>	<u>-</u>	<u>-</u>	<u>(258,615)</u>	<u>(258,615)</u>
Total primary government	<u>\$ 766,546</u>	<u>\$ 540,315</u>	<u>\$ 190,000</u>	<u>222,384</u>	<u>(258,615)</u>	<u>(36,231)</u>
General Revenues:						
Rent				4,708	-	4,708
Unrestricted investment earnings				<u>20,729</u>	<u>13,630</u>	<u>34,359</u>
Total general revenues				<u>25,437</u>	<u>13,630</u>	<u>39,067</u>
Change in net assets				247,821	(244,985)	2,836
Net assets - beginning				<u>793,558</u>	<u>5,375,447</u>	<u>6,169,005</u>
Net assets - ending				<u>\$ 1,041,379</u>	<u>\$ 5,130,462</u>	<u>\$ 6,171,841</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2007

ASSETS

Cash and cash equivalents	\$ 537,060
Interest receivable	<u>4,843</u>
Total assets	<u><u>\$ 541,903</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ 54,619
Total liabilities	<u>54,619</u>

Fund balance:

Unrestricted	<u>487,284</u>
Total fund balance	<u>487,284</u>

Total liabilities and fund balance	<u><u>\$ 541,903</u></u>
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The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2007

Fund balance - governmental funds	\$ 487,284
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Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets are not recorded in governmental fund types,
but recorded in government-wide statement to conform
with GAAP accounting requirements.

<u>554,095</u>

Net assets of governmental activity	<u>\$ 1,041,379</u>
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COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

Revenues:	
Service-type property assessments	\$ 269,725
Investment earnings	20,729
Rent	<u>4,708</u>
Total revenues	<u>295,162</u>
Expenditures:	
Current:	
Public ways and facilities:	
Maintenance - building and grounds	5,173
Office expense	1,707
Professional services	199,701
Special department expense	816
Capital outlay	<u>216,916</u>
Total expenditures	<u>424,313</u>
Other financing sources (uses):	
Capital contributions	<u>190,000</u>
Total other financing sources (uses)	<u>190,000</u>
Changes in fund balance	60,849
Fund balance - beginning	<u>426,435</u>
Fund balance - ending	<u>\$ 487,284</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

Net changes in fund balance - total governmental funds	\$ 60,849
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Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount of current year depreciation expense is \$29,944. There were no capital asset additions in the current period.

186,972

Change in net assets of governmental activities	<u>\$ 247,821</u>
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COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BUDGTARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance - July 1, 2006	\$ (9,184)	\$ (124,484)	\$ 355,861	\$ 480,345
Resources (inflows):				
Use of money and property	10,495	10,495	24,955	14,460
Charges for current services	<u>262,077</u>	<u>262,077</u>	<u>269,725</u>	<u>7,648</u>
Amounts available from appropriation	<u>272,572</u>	<u>272,572</u>	<u>294,680</u>	<u>22,108</u>
Charges to Appropriations (outflows):				
Public ways and facilities:				
Services and supplies:				
CSA 31	321,784	310,715	212,592	98,123
CSA 31 Zone C	3,205	3,205	1,264	1,941
CSA 31 Zone D	11,524	11,524	628	10,896
CSA 31 Zone E	2,800	2,800	332	2,468
CSA 31 Zone F	2,350	2,350	80	2,270
Contingencies	<u>1,988</u>	<u>1,988</u>	<u>-</u>	<u>1,988</u>
Total charges to appropriations	<u>343,651</u>	<u>332,582</u>	<u>214,896</u>	<u>117,686</u>
Budgetary Fund balance - June, 30 2007	<u>\$ (80,263)</u>	<u>\$ (184,494)</u>	<u>\$ 435,645</u>	<u>\$ 620,139</u>

**Explanation of Differences Between Budgetary Inflows and Outflows and GAAP
Revenues and Expenditures:**

Sources/inflows of resources:	
Actual amounts (budgetary basis) "available from appropriation"	
from the budgetary comparison schedule not including fund balance	\$ 294,680
Differences - budget to GAAP	
Modified accrual basis of accounting to budgetary basis of accounting	<u>482</u>
Total revenues as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 295,162</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) "total charges to appropriations"	\$ 214,896
from the budgetary comparison schedule	
Differences - budget to GAAP	
Modified accrual basis of accounting to budgetary basis of accounting	<u>209,417</u>
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 424,313</u>

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
ENTERPRISE FUND
June 30, 2007

ASSETS

Current assets:

Cash and cash equivalents	\$ 266,517
Receivables:	
Accounts	25,563
Interest	<u>3,518</u>
Total current assets	<u>295,598</u>

Noncurrent assets:

Capital assets:

Nondepreciable:

Land	329,842
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Depreciable:

Structures and improvements	7,249,388
Machinery and equipment	389,347
Furniture and fixtures	6,159
Less: accumulated depreciation	<u>(3,099,353)</u>
Total noncurrent assets	<u>4,875,383</u>

Total assets	<u>5,170,981</u>
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LIABILITIES

Current liabilities:

Accounts payable	<u>40,519</u>
Total current liabilities	<u>40,519</u>

Total liabilities	<u>40,519</u>
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NET ASSETS

Invested in capital assets	4,875,383
Unrestricted	<u>255,079</u>
Total net assets	<u>\$ 5,130,462</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUND
For the Year Ended June 30, 2007

Operating revenues:	
Charges for services	\$ 38,012
Other operating revenues	<u>232,578</u>
Total operating revenues	<u>270,590</u>
Operating expenses:	
Depreciation	162,865
Household expense	1,135
Insurance	9,624
Maintenance - equipment	26,572
Maintenance - structures and grounds	48,317
Membership	74
Office expense	1,419
Postage	1,159
PeopleSoft financials charges	13,517
Professional and specialized service	182,454
Publications and legal notices	144
Small tools and equipment	478
Special department expenses	7,312
Telephone	1,733
Utilities	<u>72,402</u>
Total operating expenses	<u>529,205</u>
Operating income (loss)	<u>(258,615)</u>
Non-operating revenues (expenses):	
Investment earnings	<u>13,630</u>
Total non-operating revenues (expenses)	<u>13,630</u>
Change in net assets	(244,985)
Net assets - beginning	<u>5,375,447</u>
Net assets - ending	<u>\$ 5,130,462</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF CASH FLOWS
ENTERPRISE FUND
For the Year Ended June 30, 2007

Cash flows from operating activities:	
Cash received from users	\$ 37,979
Payment to suppliers	(366,203)
Other operating receipts	<u>232,578</u>
Net cash provided by (used in) operating activities	<u>(95,646)</u>
Cash flows from investing activities:	
Interest on investments	<u>13,658</u>
Net cash provided by (used in) investing activities	<u>13,658</u>
Net increase (decrease) in cash and cash equivalents	(81,988)
Cash and cash equivalents - beginning	<u>348,505</u>
Cash and cash equivalents - ending	<u>\$ 266,517</u>

**Reconciliation of Operating Income (Loss) to Net Cash
Provided by (Used in) Operating Activities:**

Operating income (loss)	\$ (258,615)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	162,865
(Increase) decrease in accounts receivable	(33)
Increase (decrease) in accounts payable	<u>137</u>
Total adjustments	<u>162,969</u>
Net cash provided by (used in) operating activities	<u>\$ (95,646)</u>

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

County Service Area No. 31 (CSA 31), including CSA 31 Zone C, CSA 31 Zone D, CSA 31 Zone E and CSA 31 Zone F, is a special revenue fund, and CSA 31 B is an enterprise fund of the County of Fresno (County), which is a political subdivision of the State of California. These funds are classified collectively as a special district (District).

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

CSA 31, CSA 31 Zone B, CSA 31 Zone C, CSA 31 Zone D, CSA 31 Zone E, and CSA 31 Zone F were formed in 1978, 1984, 1995, 1997, 2004, and 2004, respectively. The District was formed under the provisions of Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors. The District is not subject to federal or state income taxes. The District is a component unit of the County of Fresno.

The function of CSA 31 is to provide fire protection and recreation facilities for the Shaver Lake community. There are 2,218 parcels within the service area, which include cabins, homes, multi-living units, stores, offices, restaurants, garages, service stations, and vacant parcels. Of all these parcels, 1,642 are developed, 540 parcels are vacant, and 36 parcels are tax exempt or unable to be built on.

The function of CSA 31 Zone B is to provide a separate funding mechanism for the community sewer system which serves part of the properties in the Shaver Lake community. Only properties which benefit from the sewer system are included in Zone B, which include the Shaver Lake Village area and Camp Edison. The sewage collection and treatment facilities were constructed through the Clean Water Grant Program.

CSA 31 Zone C is located off Highway 168 in South Shaver Lake. Tracts 3959 and 4914 serve 77 lots. Tract 5024 was added on October 29, 2002, and serves an additional 35 lots. CSA 31 Zone C was formed to provide open lot maintenance to these tracts.

The function of CSA 31 Zone D is to provide maintenance of open space area in Tract 4746 located in the community of Shaver Lake. There are 44 parcels within Zone D that equally benefit from the services provided.

The function of CSA 31 Zone E and CSA 31 Zone F is to provide maintenance of additional areas of open space in the community of Shaver Lake.

The District itself does not employ any personnel. The Department of Public Works and Planning staff provides the necessary services such as maintenance and accounting to the District on a reimbursement basis.

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the District's activities. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Pursuant to Governmental Accounting Standards Board (GASB) Standard No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued before November 30, 1989, are applied to proprietary operations unless they conflict with GASB pronouncements. The District has elected not to apply FASB statements issued subsequent to November 30, 1989.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

Governmental Fund Financial Statements

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures, and changes in fund balance) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues susceptible to accrual are property taxes, interest on investments, and intergovernmental revenues. Property taxes are recorded as revenues in the fiscal year in which they are levied, provided they are collected in the current period or within sixty days thereafter. A one-year availability period is used for all other revenues. Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific expenditures are recognized when all eligibility requirements are met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The District reports the following major governmental funds:

The *special revenue fund* accounts for special revenue that is legally restricted to expenditures for a particular purpose. The special revenue fund is the primary operating fund of CSA 31, CSA 31 Zone C, CSA 31 Zone D, CSA 31 Zone E and CSA 31 Zone F.

The District reports the following major proprietary funds:

The *enterprise funds* accounts for those operations that provide services to the public. This type of fund is used to account for the financial activities of CSA 31 Zone B.

The District adopts annual appropriated budgets for its Special Revenue Fund which is a major fund. Budgetary comparison schedules have been provided for this fund to demonstrate compliance with the budgets.

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The District's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the District's ending cash balances in the County of Fresno Treasury.

2. Accounts Payable

Certain costs are incurred by the District during the current reporting period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. The District's current accounts payable balance of \$95,138 as of June 30, 2007, is related to certain contract services and payments for utility fees.

3. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (not rounded) and an estimated useful life in excess of one year. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated or contributed fixed assets are recorded at their estimated fair value on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of buildings, plants, and machinery and equipment is computed using the straight-line method over the following estimated useful lives:

<u>Buildings and Improvements</u>	<u>Useful Life</u>
Buildings	25-50 Years
Water tank	30 Years
Center restroom	30 Years
Well	20-30 Years
 <u>Equipment</u>	 <u>Useful Life</u>
Fire apparatus and equipment	10-18 Years
Vehicles	5 Years
Radio tower	5 Years

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

4. Equity

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for special purposes. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

In the government-wide financial statements, net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

5. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIIIA (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

5. Property Taxes (Continued)

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the provisions of Sections 29000 through 29143 of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares and legally adopts a final balanced budget on or before August 30 for each fiscal year. Until the adoption of this final balanced budget, appropriations are based on the budget of the preceding year as allowed per Government Code 29124. The final adopted budget is available for review in the Auditor-Controller/Treasurer-Tax Collector's Office.

An operating balanced budget is adopted for each fiscal year for the District on the same modified accrual basis, including encumbrances, to reflect estimated revenues and expenditures. Public hearings are conducted on the proposed budget to review all appropriations and the source of financing. Because the final budget must be balanced, any shortfall in revenue requires an equal reduction in appropriations.

Budgetary control is exercised at the object level, except for fixed assets, which are controlled at the sub-object level. All amendments and any expenditures that exceed appropriations must be authorized and approved by the Board.

Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes in governmental funds. Encumbrance accounting is used to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at the time are reported as reservations of fund balance for subsequent year expenditures.

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 3—CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2007, consist of the following:

Deposits with County of Fresno Treasurer	<u>\$ 803,577</u>
Total cash and cash equivalents	<u>\$ 803,577</u>

Cash and cash equivalents as of June 30, 2007, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	<u>\$ 803,577</u>
Total cash and cash equivalents	<u>\$ 803,577</u>

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2007.

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 4—CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007, was as follows:

	July 1, 2006 Balance	Additions	Retirements	Reclassifying	June 30, 2007 Balance
GOVERNMENTAL ACTIVITIES					
Capital assets being depreciated:					
Structure and improvements	\$ 207,635	\$ -	\$ -	\$ -	\$ 207,635
Machinery and equipment	<u>370,536</u>	<u>216,916</u>	<u>-</u>	<u>-</u>	<u>587,452</u>
Total capital assets being depreciated	<u>578,171</u>	<u>216,916</u>	<u>-</u>	<u>-</u>	<u>795,087</u>
Less accumulated depreciation:					
Structure and improvements	(26,106)	(6,921)	-	-	(33,027)
Machinery and equipment	<u>(184,942)</u>	<u>(23,023)</u>	<u>-</u>	<u>-</u>	<u>(207,965)</u>
Total accumulated depreciation	<u>(211,048)</u>	<u>(29,944)</u>	<u>-</u>	<u>-</u>	<u>(240,992)</u>
Governmental Activities Capital Assets, Net	<u>\$ 367,123</u>	<u>\$ 186,972</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 554,095</u>
BUSINESS-TYPE ACTIVITIES					
Capital assets not being depreciated:					
Land	<u>\$ 329,842</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 329,842</u>
Total capital assets not being depreciated	<u>329,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>329,842</u>
Capital assets being depreciated:					
Structures and improvements	7,249,388	-	-	-	7,249,388
Machinery and equipment	389,347	-	-	-	389,347
Furniture and fixtures	<u>6,159</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,159</u>
Total capital assets being depreciated	<u>7,644,894</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,644,894</u>
Less accumulated depreciation:					
Structures and improvements	(2,571,064)	(160,085)	-	-	(2,731,149)
Machinery and equipment	(359,344)	(2,701)	-	-	(362,045)
Furniture and fixtures	<u>(6,080)</u>	<u>(79)</u>	<u>-</u>	<u>-</u>	<u>(6,159)</u>
Total accumulated depreciation	<u>(2,936,488)</u>	<u>(162,865)</u>	<u>-</u>	<u>-</u>	<u>(3,099,353)</u>
Total capital assets being depreciated, net	<u>4,708,406</u>	<u>(162,865)</u>	<u>-</u>	<u>-</u>	<u>4,545,541</u>
Business-type Activities Capital Assets, Net	<u>\$ 5,038,248</u>	<u>\$ (162,865)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,875,383</u>

Depreciation expense was charged to function/programs of the primary government as follows:

Governmental Activities:	\$ 29,944
Public Ways and Facilities	
Business-type Activities:	<u>162,865</u>
Water and Sewer	<u>\$ 192,809</u>

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 5—RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 6—COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation which is likely to have a material adverse affect on the financial position of the District.

**COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended
June 30, 2006**

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
June 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of County Service Area No. 31 (District), a component unit of the County of Fresno, as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 financial position of the governmental activities, the business-type activities and each major fund of County Service Area No. 31, as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows and the budgetary comparison for the major Special Revenue Fund, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 31 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
May 24, 2007

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2006

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 449,354	\$ 348,505	\$ 797,859
Receivables:			
Accounts	-	25,530	25,530
Interest	4,361	3,546	7,907
Capital assets not being depreciated:			
Land	-	329,842	329,842
Capital assets, net of accumulated depreciation:			
Structures and improvements	181,529	4,678,324	4,859,853
Machinery and equipment	185,594	30,003	215,597
Furniture and fixtures	-	79	79
Total assets	<u>820,838</u>	<u>5,415,829</u>	<u>6,236,667</u>
LIABILITIES			
Accounts payable	<u>27,280</u>	<u>40,382</u>	<u>67,662</u>
Total liabilities	<u>27,280</u>	<u>40,382</u>	<u>67,662</u>
NET ASSETS			
Invested in capital assets	367,123	5,038,169	5,405,292
Unrestricted	<u>426,435</u>	<u>337,278</u>	<u>763,713</u>
Total net assets	<u>\$ 793,558</u>	<u>\$ 5,375,447</u>	<u>\$ 6,169,005</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

		Program Revenues	Net (Expenses) Revenues and Changes in Net Assets		
			Primary Government		
	Expenses	Charges for Services	Governmental Activities	Business-type Activities	Total
Functions/Programs					
<u>Primary Government:</u>					
Governmental Activities:					
Public ways and facilities	\$ 206,034	\$ 259,220	\$ 53,186	\$ -	\$ 53,186
Total governmental activities	<u>206,034</u>	<u>259,220</u>	<u>53,186</u>	<u>-</u>	<u>53,186</u>
Business Activities:					
Water and sewer	<u>550,958</u>	<u>306,147</u>	<u>-</u>	<u>(244,811)</u>	<u>(244,811)</u>
Total business-type activities	<u>550,958</u>	<u>306,147</u>	<u>-</u>	<u>(244,811)</u>	<u>(244,811)</u>
Total primary government	<u>\$ 756,992</u>	<u>\$ 565,367</u>	<u>53,186</u>	<u>(244,811)</u>	<u>(191,625)</u>
General Revenues:					
Rent			\$ 7,025	\$ 83	\$ 7,108
Unrestricted investment earnings			<u>12,782</u>	<u>15,401</u>	<u>28,183</u>
Total general revenues			<u>19,807</u>	<u>15,484</u>	<u>35,291</u>
Change in net assets			72,993	(229,327)	(156,334)
Net assets - beginning			<u>720,565</u>	<u>5,604,774</u>	<u>6,325,339</u>
Net assets - ending			<u>\$ 793,558</u>	<u>\$ 5,375,447</u>	<u>\$ 6,169,005</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2006

ASSETS

Cash and cash equivalents	\$ 449,354
Interest receivable	<u>4,361</u>
Total assets	<u><u>\$ 453,715</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ <u>27,280</u>
Total liabilities	<u>27,280</u>

Fund balance:	
Reserved for encumbrances	82,644
Unrestricted	<u>343,791</u>
Total fund balance	<u>426,435</u>
 Total liabilities and fund balance	 <u><u>\$ 453,715</u></u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2006**

Fund balance - governmental funds	\$ 426,435
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are not recorded in governmental fund types, but recorded in government-wide statement to conform with GAAP accounting requirements.	<u>367,123</u>
Net assets of governmental activity	<u>\$ 793,558</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

Revenues:	
Service-type property assessments	\$ 259,220
Investment earnings	12,782
Rent	7,025
Total revenues	<u>279,027</u>
Expenditures:	
Current:	
Public ways and facilities:	
Maintenance - building and grounds	384
Office expense	8,234
Professional services	169,350
Special department expense	371
Debt service:	
Principal	36,528
Interest	2,270
Total expenditures	<u>217,137</u>
Changes in fund balance	61,890
Fund balance - beginning	<u>364,545</u>
Fund balance - ending	<u>\$ 426,435</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**
For the Year Ended June 30, 2006

Net changes in fund balance - total governmental funds	\$ 61,890
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Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount of current year depreciation expense is \$25,427. There were no capital asset additions in the current period.	(25,425)
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The issuance of long-term debt provides current financial resources to governmental funds, which the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.	<u>36,528</u>
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Change in net assets of governmental activities	<u><u>\$ 72,993</u></u>
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COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance - July 1, 2005	\$ -	\$ -	\$ 284,134	\$ 284,134
Resources (inflows):				
Use of money and property	12,400	12,400	17,883	5,483
Charges for current services	259,525	259,525	259,220	(305)
Amounts available from appropriation	271,925	271,925	277,103	5,178
Charges to Appropriations (outflows):				
Public ways and facilities:				
Services and supplies:				
CSA 31	226,616	341,916	164,177	177,739
CSA 31 Zone C	2,150	-	910	(910)
CSA 31 Zone D	9,790	9,790	1,407	8,383
CSA 31 Zone E	1,850	1,850	84	1,766
CSA 31 Zone F	-	2,150	-	2,150
Capital outlay:				
CSA 31	39,000	39,000	38,798	202
Contingencies	1,703	1,703	-	1,703
Total charges to appropriations	281,109	396,409	205,376	191,033
Budgetary Fund balance - June, 30 2006	<u>\$ (9,184)</u>	<u>\$ (124,484)</u>	<u>\$ 355,861</u>	<u>\$ 480,345</u>

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP
Revenues and Expenditures:

Sources/inflows of resources:

Actual amounts (budgetary basis) "available from appropriation"	
from the budgetary comparison schedule not including fund balance	\$ 277,103
Differences - budget to GAAP	
Modified accrual basis of accounting to budgetary basis of accounting	1,924
Total revenues as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 279,027</u>

Uses/outflows of resources:

Actual amounts (budgetary basis) "total charges to appropriations"	
from the budgetary comparison schedule	\$ 205,376
Differences - budget to GAAP	
Modified accrual basis of accounting to budgetary basis of accounting	11,761
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 217,137</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
ENTERPRISE FUND
June 30, 2006

ASSETS

Current assets:

Cash and cash equivalents	\$ 348,505
Receivables:	
Accounts	25,530
Interest	<u>3,546</u>
Total current assets	<u>377,581</u>

Noncurrent assets:

Capital assets:

Nondepreciable:

Land	329,842
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Depreciable:

Structures and improvements	7,249,388
Machinery and equipment	389,347
Furniture and fixtures	6,159
Less: accumulated depreciation	<u>(2,936,488)</u>
Total noncurrent assets	<u>5,038,248</u>

Total assets	<u>5,415,829</u>
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LIABILITIES

Current liabilities:

Accounts payable	<u>40,382</u>
Total current liabilities	<u>40,382</u>

Total liabilities	<u>40,382</u>
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NET ASSETS

Invested in capital assets, net of related debt	5,038,248
Unrestricted	<u>337,199</u>
Total net assets	<u>\$ 5,375,447</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUND
For the Year Ended June 30, 2006

Operating revenues:	
Charges for services	\$ 74,970
Other operating revenues	231,177
Rent	83
Total operating revenues	<u>306,230</u>
Operating expenses:	
Depreciation	143,196
Household expense	373
Insurance	11,907
Maintenance - equipment	32,813
Maintenance - structures and grounds	132,775
Membership	20
Office expense	1,684
Postage	125
PeopleSoft financials charges	6,088
Professional and specialized service	166,200
Publications and legal notices	39
Small tools and equipment	819
Special department expenses	6,500
Telephone	5,888
Utilities	42,531
Total operating expenses	<u>550,958</u>
Operating income (loss)	<u>(244,728)</u>
Non-operating revenues (expenses):	
Investment earnings	15,401
Total non-operating revenues (expenses)	<u>15,401</u>
Change in net assets	(229,327)
Net assets - beginning	<u>5,604,774</u>
Net assets - ending	<u>\$ 5,375,447</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF CASH FLOWS
ENTERPRISE FUND
For the Year Ended June 30, 2006

Cash flows from operating activities:	
Cash received from users	\$ 49,523
Payment to suppliers	(402,137)
Other operating receipts	<u>231,177</u>
Net cash provided by (used in) operating activities	<u>(121,437)</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(637,730)</u>
Net cash provided by (used in) capital and related financing activities	<u>(637,730)</u>
Cash flows from investing activities:	
Interest on investments	<u>19,190</u>
Net cash provided by (used in) investing activities	<u>19,190</u>
Net increase (decrease) in cash and cash equivalents	(739,977)
Cash and cash equivalents - beginning	<u>1,088,482</u>
Cash and cash equivalents - ending	<u>\$ 348,505</u>

**Reconciliation of Operating Income (Loss) to Net Cash
Provided by (Used in) Operating Activities:**

Operating income (loss)	\$ (244,728)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	143,196
Increase (decrease) in accounts receivable	(25,530)
Increase (decrease) in prepaid expenses	4,447
Increase (decrease) in accounts payable	<u>1,178</u>
Total adjustments	<u>123,291</u>
Net cash provided by (used in) operating activities	<u>\$ (121,437)</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

County Service Area No. 31 (CSA 31), including CSA 31 Zone C, CSA 31 Zone D, CSA 31 Zone E and CSA 31 Zone F, is a special revenue fund, and CSA 31 B is an enterprise fund of the County of Fresno (County), which is a political subdivision of the State of California. These funds are classified collectively as a special district (District).

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

CSA 31, CSA 31 Zone B, CSA 31 Zone C, CSA 31 Zone D, CSA 31 Zone E, and CSA 31 Zone F were formed in 1978, 1984, 1995, 1997, 2004, and 2004, respectively. The District was formed under the provisions of Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors. The District is not subject to federal or state income taxes. The District is a component unit of the County of Fresno.

The function of CSA 31 is to provide fire protection and recreation facilities for the Shaver Lake community. There are 2,218 parcels within the service area, which include cabins, homes, multi-living units, stores, offices, restaurants, garages, service stations, and vacant parcels. Of all these parcels, 1,642 are developed, 540 parcels are vacant, and 36 parcels are tax exempt or unable to be built on.

The function of CSA 31 Zone B is to provide a separate funding mechanism for the community sewer system which serves part of the properties in the Shaver Lake community. Only properties which benefit from the sewer system are included in Zone B, which include the Shaver Lake Village area and Camp Edison. The sewage collection and treatment facilities were constructed through the Clean Water Grant Program.

CSA 31 Zone C is located off Highway 168 in South Shaver Lake. Tracts 3959 and 4914 serve 77 lots. Tract 5024 was added on October 29, 2002, and serves an additional 35 lots. CSA 31 Zone C was formed to provide open lot maintenance to these tracts.

The function of CSA 31 Zone D is to provide maintenance of open space area in Tract 4746 located in the community of Shaver Lake. There are 44 parcels within Zone D that equally benefit from the services provided.

The function of CSA 31 Zone E and CSA 31 Zone F is to provide maintenance of additional areas of open space in the community of Shaver Lake.

The District itself does not employ any personnel. The Department of Public Works and Planning staff provides the necessary services such as maintenance and accounting to the District on a reimbursement basis.

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the District's activities. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Pursuant to Governmental Accounting Standards Board (GASB) Standard No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary fund Accounting*, all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued before November 30, 1989, are applied to proprietary operations unless they conflict with GASB pronouncements. The District has elected not to apply FASB statements issued subsequent to November 30, 1989.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

Governmental Fund Financial Statements

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures, and changes in fund balance) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues susceptible to accrual are property taxes, interest on investments, and intergovernmental revenues. Property taxes are recorded as revenues in the fiscal year in which they are levied, provided they are collected in the current period or within sixty days thereafter. A one-year availability period is used for all other revenues. Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific expenditures are recognized when all eligibility requirements are met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The District reports the following major governmental funds:

The *special revenue fund* accounts for special revenue that is legally restricted to expenditures for a particular purpose. The special revenue fund is the primary operating fund of CSA 31, CSA 31 Zone C, CSA 31 Zone D, CSA 31 Zone E and CSA 31 Zone F.

The District reports the following major proprietary funds:

The *enterprise funds* accounts for those operations that provide services to the public. This type of fund is used to account for the financial activities of CSA 31 Zone B.

The District adopts annual appropriated budgets for its Special Revenue Fund which is a major fund. Budgetary comparison schedules have been provided for this fund to demonstrate compliance with the budgets.

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The District's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the District's ending cash balances in the County of Fresno Treasury.

2. Accounts Payable

Certain costs are incurred by the District during the current reporting period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. The District's current accounts payable balance of \$67,662 as of June 30, 2006, is related to certain contract services and payments for utility fees.

3. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (not rounded) and an estimated useful life in excess of one year. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated or contributed fixed assets are recorded at their estimated fair value on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of buildings, plants, and machinery and equipment is computed using the straight-line method over the following estimated useful lives:

<u>Buildings and Improvements</u>	<u>Useful Life</u>
Buildings	25-50 Years
Water tank	30 Years
Center restroom	30 Years
Well	20-30 Years
 <u>Equipment</u>	 <u>Useful Life</u>
Fire apparatus and equipment	10-18 Years
Vehicles	5 Years
Radio tower	5 Years

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

4. Equity

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for special purposes. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

In the government-wide financial statements, net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

5. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIII A (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Equity (Continued)

5. Property Taxes (Continued)

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the provisions of Sections 29000 through 29143 of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares and legally adopts a final balanced budget on or before August 30 for each fiscal year. Until the adoption of this final balanced budget, appropriations are based on the budget of the preceding year as allowed per Government Code 29124. The final adopted budget is available for review in the Auditor-Controller/Treasurer-Tax Collector's Office.

An operating balanced budget is adopted for each fiscal year for the District on the same modified accrual basis, including encumbrances, to reflect estimated revenues and expenditures. Public hearings are conducted on the proposed budget to review all appropriations and the source of financing. Because the final budget must be balanced, any shortfall in revenue requires an equal reduction in appropriations.

Budgetary control is exercised at the object level, except for fixed assets, which are controlled at the sub-object level. All amendments and any expenditures that exceed appropriations must be authorized and approved by the Board.

Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes in governmental funds. Encumbrance accounting is used to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at the time are reported as reservations of fund balance for subsequent year expenditures.

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 2— STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

B. Excess in Expenditures Over Appropriations

The District incurred expenditures in excess of appropriation in the following amounts for the fiscal year June 30, 2006:

CSA 31 Zone C:	
Services and Supplies	\$910

NOTE 3—CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2006, consist of the following:

Deposits with County of Fresno Treasurer	<u>\$ 797,859</u>
Total cash and cash equivalents	<u>\$ 797,859</u>

Cash and cash equivalents as of June 30, 2006, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	<u>\$ 797,859</u>
Total cash and cash equivalents	<u>\$ 797,859</u>

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2006.

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 4—CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006, was as follows:

	July 1, 2005 Balance	Additions	Retirements	Reclassifying	June 30, 2006 Balance
GOVERNMENTAL ACTIVITIES					
Capital assets being depreciated:					
Structure and improvements	\$ 207,635	\$ -	\$ -	\$ -	\$ 207,635
Machinery and equipment	370,536	-	-	-	370,536
Total capital assets being depreciated	578,171	-	-	-	578,171
Less accumulated depreciation:					
Structure and improvements	(19,185)	(6,921)	-	-	(26,106)
Machinery and equipment	(166,438)	(18,504)	-	-	(184,942)
Total accumulated depreciation	(185,623)	(25,425)	-	-	(211,048)
Governmental Activities Capital Assets, Net	\$ 392,548	\$ (25,425)	\$ -	\$ -	\$ 367,123
BUSINESS-TYPE ACTIVITIES					
Capital assets not being depreciated:					
Land	\$ 329,842	\$ -	\$ -	\$ -	\$ 329,842
Construction in progress	125,635	-	-	(125,635)	-
Total capital assets not being depreciated	455,477	-	-	(125,635)	329,842
Capital assets being depreciated:					
Structures and improvements	6,513,289	610,464	-	125,635	7,249,388
Machinery and equipment	362,081	27,266	-	-	389,347
Furniture and fixtures	6,159	-	-	-	6,159
Total capital assets being depreciated	6,881,529	637,730	-	125,635	7,644,894
Less accumulated depreciation:					
Structures and improvements	(2,430,609)	(140,455)	-	-	(2,571,064)
Machinery and equipment	(356,911)	(2,433)	-	-	(359,344)
Furniture and fixtures	(5,772)	(308)	-	-	(6,080)
Total accumulated depreciation	(2,793,292)	(143,196)	-	-	(2,936,488)
Total capital assets being depreciated, net	4,088,237	494,534	-	125,635	4,708,406
Business-type Activities Capital Assets, Net	\$ 4,543,714	\$ 494,534	\$ -	\$ -	\$ 5,038,248

Depreciation expense was charged to function/programs of the primary government as follows:

Governmental Activities:	\$ 25,425
Public Ways and Facilities	
Business-type Activities:	143,196
Water and Sewer	\$ 168,621

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 5—CAPITAL LEASE OBLIGATIONS

On March 18, 2006, the District entered into an option to purchase contract as a lessee for a new fire truck. Four payments totaled \$186,393 (\$168,575 on principal and \$17,818 on interest) had been paid as of June 30, 2006, and there is no remaining balance on this lease. The last payment \$36,528 in principal and \$2,270 in interest, totaling \$36,798 was paid on December 20, 2005. The effective interest rate for this obligation agreement was 6.22 percent.

NOTE 6—RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 7—COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation, which is likely to have a material adverse affect on the financial position of the District.

**COUNTY SERVICE AREA NO. 32
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended
June 30, 2007**

COUNTY SERVICE AREA NO. 32
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2007

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 32 (District), a component unit of the County of Fresno, as of and for the fiscal year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 32, as of June 30, 2007, and the respective changes in financial position and cash flows, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 32 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined it is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
April 17, 2008

COUNTY SERVICE AREA NO. 32
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2007

ASSETS

Current assets:

Cash and cash equivalents	\$ 59,409
Receivables:	
Accounts receivable	22,025
Interest	<u>89</u>
Total current assets	<u>81,523</u>

Non-current assets:

Capital assets:

Nondepreciable:

Land	110,822
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Depreciable:

Machinery and equipment	1,409,315
Less: accumulated depreciation	<u>(927,474)</u>
Total non-current assets	<u>592,663</u>

Total assets	<u>674,186</u>
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LIABILITIES

Current liabilities:

Accounts payable	19,299
Due to County of Fresno	<u>62,816</u>
Total liabilities	<u>82,115</u>

NET ASSETS

Invested in capital	592,663
Unrestricted	<u>(592)</u>
Total net assets	<u>\$ 592,071</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 32
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2007

Operating revenues:	
Charges for services	\$ 164,806
Other operating revenues	<u>34,742</u>
Total operating revenues	<u>199,548</u>
Operating expenses:	
Agriculture	48,582
Household expense	19,286
Liability insurance	992
Office expense	23
Postage	532
Professional and specialized services	63,732
Special department expenses	10,505
Utilities	17,328
Depreciation	<u>52,134</u>
Total operating expenses	<u>213,114</u>
Operating income (loss)	<u>(13,566)</u>
Non-operating revenues (expenses):	
Investment earnings	<u>(1,468)</u>
Total non-operating revenues (expenses)	<u>(1,468)</u>
Change in net assets	(15,034)
Total net assets - beginning	<u>607,105</u>
Total net assets - ending	<u>\$ 592,071</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 32
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2007

Cash flows from operating activities:	
Cash received from users	\$ 155,474
Cash paid to suppliers	(172,283)
Other operating receipts	<u>34,742</u>
Net cash provided by (used in) operating activities	<u>17,933</u>
Cash flows from non-capital financing activities:	
Interest paid	(127)
Loan proceeds	<u>62,816</u>
Net cash provided by (used in) non-capital financing activities	<u>62,689</u>
Cash flows from investing activities:	
Interest on investments	<u>(1,557)</u>
Net cash provided by investing activities	<u>(1,557)</u>
Net increase (decrease) in cash and cash equivalents	79,065
Cash and cash equivalents - beginning	<u>(19,656)</u>
Cash and cash equivalents - ending	<u><u>\$ 59,409</u></u>
Reconciliation of Operating Income (Loss) to Net Cash	
 Provided by (Used in) Operating Activities:	
Operating income (loss)	\$ (13,566)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	52,134
(Increase) decrease in accounts receivable	(9,332)
Increase (decrease) in accounts payable	<u>(11,303)</u>
Total adjustments	<u>31,499</u>
Net cash provided by (used in) operating activities	<u><u>\$ 17,933</u></u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 32
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

County Service Area No. 32, (District), is as a political subdivision of the State of California generally referred to as a “special district.” The function of the District is to provide water, sewer, garbage collection, street lighting and recreational facilities for the community of Cantua Creek, a farm labor housing development. The subdivision is located at Clarkson Avenue, west of San Mateo Avenue in Cantua Creek. Maintenance is provided by contract with the California Water Services. Lighting is provided by contract with PG&E. The District is not subject to federal or state income taxes.

The District was formed in 1981 under the provision of the Government Code Section 25210.1 et. seq. and is governed by the County of Fresno Board of Supervisors. The District is a component unit of the County of Fresno (County).

The District itself does not employ any personnel. The Department of Public Works and Planning staff provides the necessary services such as maintenance and accounting to the District on a reimbursement basis.

B. Basis of Accounting

Pursuant to Governmental Accounting Standards Board (GASB) Standard No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary fund Accounting*, all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued before November 30, 1989, are applied to proprietary operations unless they conflict with GASB pronouncements. The District has elected not to apply FASB statements issued subsequent to November 30, 1989.

The District is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the government body is that the cost and expenses of providing goods or services to its customers be financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

COUNTY SERVICE AREA NO. 32
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting (Continued)

Enterprise funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The District's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the District's ending cash balances in the County of Fresno Treasury.

2. Accounts Receivable

The “direct write-off” method for accounts receivable was applied for accounts that had been established as uncollectible. As expense was recognized when an account was referred to the Revenue Reimbursement Division of the Auditor-Controller/Treasurer-Tax Collector and a Discharge of Accountability was received. The “direct write-off” method is not in compliance with generally accepted accounting principles, but the result was deemed immaterial to the financial statements as a whole. The District did record \$74 in bad debts during the period.

3. Accounts Payable

Certain costs are incurred by the District during the current reporting period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. The District's current accounts payable balance of \$19,299 as of June 30, 2007, is related to certain contract services and payments for utility fees.

COUNTY SERVICE AREA NO. 32
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

4. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (not rounded) and an estimated useful life in excess of one year. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated or contributed fixed assets are recorded at their estimated fair value on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of buildings, plants, and machinery and equipment is computed using the straight-line method over the following estimated useful lives:

<u>Property Type</u>	<u>Useful Life</u>
Water System	25 Years
Sewer System	25 Years
Telemetry System	15 Years
Water Tank	30 Years
Water Treatment Plant	25 Years
Standby Well	30 Years

5. Net Assets

Net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

COUNTY SERVICE AREA NO. 32
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

6. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIIIA (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

7. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COUNTY SERVICE AREA NO. 32
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 2 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2007, consist of the following:

Deposit with the County of Fresno Treasurer	<u>\$59,409</u>
Total cash and cash equivalents	<u>\$59,409</u>

Cash and cash equivalents as of June 30, 2007, are classified in the accompanying financial statements as follows:

Cash and cash equivalents	<u>\$59,409</u>
Total cash and cash equivalents	<u>\$59,409</u>

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2007.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007, was as follows:

	July 1, 2006 Balance	Additions	Deletions	June 30, 2007 Balance
Capital assets not being depreciated:				
Land	<u>\$ 110,822</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 110,822</u>
Total capital assets not being depreciated	<u>110,822</u>	<u>-</u>	<u>-</u>	<u>110,822</u>
Capital assets being depreciated:				
Machinery and equipment	<u>1,409,315</u>	<u>-</u>	<u>-</u>	<u>1,409,315</u>
Total capital assets being depreciated	<u>1,409,315</u>	<u>-</u>	<u>-</u>	<u>1,409,315</u>
Less accumulated depreciation:				
Machinery and equipment	<u>(875,340)</u>	<u>(52,134)</u>	<u>-</u>	<u>(927,474)</u>
Total depreciation	<u>(875,340)</u>	<u>(52,134)</u>	<u>-</u>	<u>(927,474)</u>
Capital Assets, Net	<u>\$ 644,797</u>	<u>\$ (52,134)</u>	<u>\$ -</u>	<u>\$ 592,663</u>

COUNTY SERVICE AREA NO. 32
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

NOTE 4 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation, which is likely to have a material adverse affect on the financial position of the District.

**COUNTY SERVICE AREA NO. 32
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended
June 30, 2006**

COUNTY SERVICE AREA NO. 32
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 32 (District), a component unit of the County of Fresno, as of and for the fiscal year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 32, as of June 30, 2006, and the respective changes in financial position and cash flows, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 32 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined it is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
May 24, 2007

COUNTY SERVICE AREA NO. 32
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2006

ASSETS

Current assets:

Accounts receivable	\$ 12,693
Total current assets	<u>12,693</u>

Non-current assets:

Capital assets:

Nondepreciable:

Land	110,822
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Depreciable:

Machinery and equipment	1,409,315
Less: accumulated depreciation	<u>(875,340)</u>
Total non-current assets	<u>644,797</u>

Total assets	<u>657,490</u>
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LIABILITIES

Current liabilities:

Accounts payable	30,602
Due to County of Fresno	19,656
Interest payable	<u>127</u>
Total liabilities	<u>50,385</u>

NET ASSETS

Invested in capital	644,797
Unrestricted	<u>(37,692)</u>
Total net assets	<u>\$ 607,105</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 32
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2006

Operating revenues:	
Charges for services	\$ 97,720
Other operating revenues	2,766
Total operating revenues	<u>100,486</u>
Operating expenses:	
Agriculture	5,231
Household expense	6,365
Liability insurance	687
Maintenance - buildings and grounds	16,901
Office expense	46
Postage	575
Professional and specialized services	49,405
Special department expenses	11,562
Utilities	42,703
Depreciation	51,602
Total operating expenses	<u>185,077</u>
Operating income (loss)	<u>(84,591)</u>
Non-operating revenues (expenses):	
Interest expense	<u>(335)</u>
Total non-operating revenues (expenses)	<u>(335)</u>
Income (loss) before contributions	(84,926)
Developer contributions	<u>64,376</u>
Change in net assets	(20,550)
Total net assets - beginning	<u>627,655</u>
Total net assets - ending	<u>\$ 607,105</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 32
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2006

Cash flows from operating activities:	
Cash received from users	\$ 95,346
Cash paid to suppliers	(112,158)
Other operating receipts	<u>2,766</u>
Net cash provided by (used in) operating activities	<u>(14,046)</u>
Cash flows from non-capital financing activities:	
Interest paid	<u>(208)</u>
Net cash provided by (used in) non-capital financing activities	<u>(208)</u>
Net increase (decrease) in cash and cash equivalents	(14,254)
Cash and cash equivalents - beginning	<u>14,254</u>
Cash and cash equivalents - ending	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash	
 Provided by (Used in) Operating Activities:	
Operating income (loss)	\$ (84,591)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	51,602
(Increase) decrease in accounts receivable	(2,374)
(Increase) decrease in prepaid insurance	297
Increase (decrease) in accounts payable	1,364
Increase (decrease) in due to County of Fresno	<u>19,656</u>
Total adjustments	<u>70,545</u>
Net cash provided by (used in) operating activities	<u>\$ (14,046)</u>
Noncash Investing, Capital, and Financing Activities:	
Capital assets contributed by developers	<u>\$ 64,376</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA No. 32
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

County Service Area No. 32, (District), is as a political subdivision of the State of California generally referred to as a "special district." The function of the District is to provide water, sewer, garbage collection, street lighting and recreational facilities for the community of Cantua Creek, a farm labor housing development. The subdivision is located at Clarkson Avenue, west of San Mateo Avenue in Cantua Creek. Maintenance is provided by contract with the California Water Services. Lighting is provided by contract with PG&E. The District is not subject to federal or state income taxes.

The District was formed in 1981 under the provision of the Government Code Section 25210.1 et. seq. and is governed by the County of Fresno Board of Supervisors. The District is a component unit of the County of Fresno (County).

The District itself does not employ any personnel. The Department of Public Works and Planning staff provides the necessary services such as maintenance and accounting to the District on a reimbursement basis.

B. Basis of Accounting

Pursuant to Governmental Accounting Standards Board (GASB) Standard No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary fund Accounting*, all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued before November 30, 1989, are applied to proprietary operations unless they conflict with GASB pronouncements. The District has elected not to apply FASB statements issued subsequent to November 30, 1989.

The District is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the government body is that the cost and expenses of providing goods or services to its customers be financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

COUNTY SERVICE AREA No. 32
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting (Continued)

Enterprise funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The District's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the District's ending cash balances in the County of Fresno Treasury.

2. Accounts Receivable

The "direct write-off" method for accounts receivable was applied for accounts that had been established as uncollectible. As expense was recognized when an account was referred to the Revenue Reimbursement Division of the Auditor-Controller/Treasurer-Tax Collector and a Discharge of Accountability was received. The "direct write-off" method is not in compliance with generally accepted accounting principles, but the result was deemed immaterial to the financial statements as a whole. The District did not record any expenses for bad debts during the period.

3. Accounts Payable

Certain costs are incurred by the District during the current reporting period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. The District's current accounts payable balance of \$30,602 as of June 30, 2006, is related to certain contract services and payments for utility fees.

COUNTY SERVICE AREA No. 32
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

4. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (not rounded) and an estimated useful life in excess of one year. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated or contributed fixed assets are recorded at their estimated fair value on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of buildings, plants, and machinery and equipment is computed using the straight-line method over the following estimated useful lives:

<u>Property Type</u>	<u>Useful Life</u>
Water System	25 Years
Sewer System	25 Years
Telemetry System	15 Years
Water Tank	30 Years
Water Treatment Plant	25 Years
Standby Well	30 Years

5. Net Assets

Net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

COUNTY SERVICE AREA No. 32
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

6. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIIIA (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

7. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COUNTY SERVICE AREA No. 32
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 2— DUE TO COUNTY OF FRESNO

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form. As of June 30, 2006, the District was overdrawn \$19,656 from County of Fresno cash pool.

The District does not have any deposits with financial institutions as of June 30, 2006.

NOTE 3— CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006, was as follows:

	July 1, 2005 Balance	Additions	Deletions	June 30, 2006 Balance
Capital assets not being depreciated:				
Land	\$ 110,822	\$ -	\$ -	\$ 110,822
Total capital assets not being depreciated	<u>110,822</u>	<u>-</u>	<u>-</u>	<u>110,822</u>
Capital assets being depreciated:				
Machinery and equipment	1,344,938	64,376	-	1,409,314
Total capital assets being depreciated	<u>1,344,938</u>	<u>64,376</u>	<u>-</u>	<u>1,409,314</u>
Less accumulated depreciation:				
Machinery and equipment	(823,737)	(51,602)	-	(875,339)
Total depreciation	<u>(823,737)</u>	<u>(51,602)</u>	<u>-</u>	<u>(875,339)</u>
Capital Assets, Net	<u>\$ 632,023</u>	<u>\$ 12,774</u>	<u>\$ -</u>	<u>\$ 644,797</u>

NOTE 4— RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 5— COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation, which is likely to have a material adverse affect on the financial position of the District.

**COUNTY SERVICE AREA NO. 33
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended
June 30, 2007**

COUNTY SERVICE AREA NO. 33
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2007

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 33 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 financial position of County Service Area No. 33, as of June 30, 2007, and the respective changes in financial position and the respective budgetary comparison for the major Special Revenue Fund, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 33 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
April 17, 2008

COUNTY SERVICE AREA NO. 33
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
June 30, 2007

	<u>Governmental Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash and cash equivalents	\$ 60,634	\$ -	\$ 60,634
Interest receivable	<u>737</u>	<u>-</u>	<u>737</u>
Total assets	<u>\$ 61,371</u>	<u>-</u>	<u>61,371</u>
 LIABILITIES			
Accounts payable	\$ 2,193	<u>-</u>	<u>2,193</u>
Total liabilities	<u>2,193</u>	<u>-</u>	<u>2,193</u>
 FUND BALANCE/NET ASSETS			
Fund balance:			
Unreserved	<u>59,178</u>	<u>(59,178)</u>	<u>-</u>
Total fund balance	<u>59,178</u>	<u>(59,178)</u>	<u>-</u>
 Total liabilities and fund balance	<u>\$ 61,371</u>		
 Net assets:			
Unrestricted		<u>59,178</u>	<u>59,178</u>
Total net assets		<u>\$ 59,178</u>	<u>\$ 59,178</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 33
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE**
For the Year Ended June 30, 2007

	Governmental Fund	Adjustments	Statement of Activities
Expenditures/Expenses			
Public ways and facilities	\$ 17,019	\$ -	\$ 17,019
Total expenditures/expenses	<u>17,019</u>	<u>-</u>	<u>17,019</u>
Revenues			
Program revenue:			
Charges for services	<u>6,666</u>	<u>-</u>	<u>6,666</u>
Total program revenue	<u>6,666</u>	<u>-</u>	<u>6,666</u>
Net program expense			<u>(10,353)</u>
General revenue:			
Property taxes	12,909	-	12,909
Unrestricted investment earnings	2,646	-	2,646
Miscellaneous	<u>189</u>	<u>-</u>	<u>189</u>
Total general revenues	<u>15,744</u>	<u>-</u>	<u>15,744</u>
Excess of expenditures over revenues	<u>5,391</u>	<u>(5,391)</u>	<u>-</u>
Change in net assets	-	5,391	5,391
Fund balance/net assets:			
Beginning of the year	<u>53,787</u>	<u>-</u>	<u>53,787</u>
End of the year	<u>\$ 59,178</u>	<u>\$ -</u>	<u>\$ 59,178</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 33
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance - July 1, 2006	\$ 30,893	\$ 30,893	\$ 54,282	\$ 23,389
Resources (inflows):				
Taxes	7,800	7,800	12,909	5,109
Use of money and property	1,000	1,000	2,443	1,443
Intergovernmental revenues	-	-	190	190
Charges for current services	6,688	6,688	6,666	(22)
Amounts available for appropriation	<u>15,488</u>	<u>15,488</u>	<u>22,208</u>	<u>6,720</u>
Charges to Appropriations (outflows):				
Public ways and facilities:				
Services and supplies	21,249	21,249	16,724	4,525
Contingencies	2,125	2,125	-	2,125
Total charges to appropriations	<u>23,374</u>	<u>23,374</u>	<u>16,724</u>	<u>6,650</u>
Budgetary Fund Balance - June 30, 2007	<u>\$ 23,007</u>	<u>\$ 23,007</u>	<u>\$ 59,766</u>	<u>\$ 36,759</u>

**Explanation of Differences Between Budgetary Inflows and Outflows
and GAAP Revenues and Expenditures:**

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule not including fund balance	\$ 22,208
Differences - budget to GAAP	
Modified accrual basis of accounting to budgetary basis of accounting	<u>202</u>
Total revenues as reported on the statement of revenues and expenditures and change in fund balance	<u>\$ 22,410</u>

Uses/outflows of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 16,724
Differences - budget to GAAP	
Modified accrual basis of accounting to budgetary basis of accounting	<u>295</u>
Total expenditures as reported on the statement of revenues and expenditures and change in fund balance	<u>\$ 17,019</u>

COUNTY SERVICE AREA NO. 33
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

County Service Area No. 33, a special district (District) is a revenue fund of the County of Fresno (County), which is a political subdivision of the State of California. The District was formed in 1981 under the provisions of Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors (Board). The District is a component unit of the County of Fresno. The District was originally formed to provide street lighting for the Malaga Community. Since then, the McNeill-Fresno Industrial Park and the adjacent area, referred to as the Shapazian-McNeill Annexation, were annexed into the District. Street lighting is provided throughout the District while the Shapazian-McNeill Annexation receives both street lighting and landscape maintenance. The District contains 176 single family residences, 4 industrial parcels, and 27 undeveloped parcels. The District is not subject to federal or state income taxes.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

The District itself does not employ any personnel. Street lighting is provided by Pacific Gas & Electric. Water service is provided by the Malaga County Water District. The District contracts with an outside vendor to furnish all the labor and materials required for the performance of landscape maintenance. The Department of Public Works and Planning staff provides the necessary accounting services to the District on a reimbursement basis.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the District's activities. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

COUNTY SERVICE AREA NO. 33
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

Governmental Fund Financial Statements

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures, and changes in fund balance) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues susceptible to accrual are property taxes, interest on investments, and intergovernmental revenues. Property taxes are recorded as revenues in the fiscal year in which they are levied, provided they are collected in the current period or within sixty days thereafter. A one-year availability period is used for all other revenues. Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific expenditures are recognized when all eligibility requirements are met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District reports the following major governmental funds:

The *special revenue fund* accounts for special revenue that is legally restricted to expenditures for a particular purpose. The special revenue fund is the primary operating fund of County Service Area No. 33.

The District adopts annual appropriated budgets for its Special Revenue Fund which is a major fund. Budgetary comparison schedules have been provided for this fund to demonstrate compliance with the budgets.

COUNTY SERVICE AREA NO. 33
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

The District's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the Districts based on the ending cash balances in the County of Fresno Treasury.

2. Equity

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use in special purposes. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

In the government-wide financial statements, net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

3. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

COUNTY SERVICE AREA NO. 33
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

3. Property Taxes (Continued)

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIII A (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

4. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the provisions of Sections 29000 through 29143 of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares and legally adopts a final balanced budget on or before August 30 for each fiscal year. Until the adoption of this final balanced budget, appropriations are based on the budget of the preceding year as allowed per Government Code 29124. The final adopted budget is available for review in the Auditor-Controller/Treasurer-Tax Collector's Office.

An operating balanced budget is adopted for each fiscal year for the District on the same modified accrual basis, including encumbrances, to reflect estimated revenues and expenditures. Public hearings are conducted on the proposed budget to review all appropriations and the source of financing. Because the final budget must be balanced, any shortfall in revenue requires an equal reduction in appropriations.

Budgetary control is exercised at the object level, except for fixed assets, which are controlled at the sub-object level. All amendments and any expenditures that exceed appropriations must be authorized and approved by the Board.

COUNTY SERVICE AREA NO. 33
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes in governmental funds. Encumbrance accounting is used to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at the time are reported as reservations of fund balance for subsequent year expenditures. The District did not have any outstanding encumbrances at June 30, 2007.

NOTE 3 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2007, consist of the following:

Deposits with County of Fresno Treasurer	<u>\$ 60,634</u>
Total cash and cash equivalents	<u>\$ 60,634</u>

Cash and cash equivalents as of June 30, 2007, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	<u>\$ 60,634</u>
Total cash and cash equivalents	<u>\$ 60,634</u>

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2007.

COUNTY SERVICE AREA NO. 33
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 4 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation which is likely to have a material adverse affect on the financial position of the District.

**COUNTY SERVICE AREA NO. 33
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended
June 30, 2006**

COUNTY SERVICE AREA NO. 33
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 33 (District), a component unit of the County of Fresno, as of and for the fiscal year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 33, as of June 30, 2006, and the respective changes in financial position and the respective budgetary comparison for the major Special Revenue Fund, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 33 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
May 24, 2007

COUNTY SERVICE AREA NO. 33
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
June 30, 2006

	<u>Governmental Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash and cash equivalents	\$ 55,101	\$ -	\$ 55,101
Interest receivable	534	-	534
Total assets	<u>\$ 55,635</u>	<u>-</u>	<u>55,635</u>
 LIABILITIES			
Accounts payable	\$ 1,848	-	1,848
Total liabilities	<u>1,848</u>	<u>-</u>	<u>1,848</u>
 FUND BALANCE/NET ASSETS			
Fund Balance:			
Unreserved	53,787	(53,787)	-
Total fund balance	<u>53,787</u>	<u>(53,787)</u>	<u>-</u>
 Total liabilities and fund balance	<u>\$ 55,635</u>		
 Net Assets:			
Unrestricted		53,787	53,787
Total net assets		<u>\$ 53,787</u>	<u>\$ 53,787</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 33
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE**
For the Year Ended June 30, 2006

	<u>Governmental Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Expenditures/Expenses			
Public ways and facilities	\$ 16,255	\$ -	\$ 16,255
Total expenditures/expenses	<u>16,255</u>	<u>-</u>	<u>16,255</u>
Revenues			
Program revenue:			
Charges for services	6,666	-	6,666
Total program revenue	<u>6,666</u>	<u>-</u>	<u>6,666</u>
Net program expense			<u>(9,589)</u>
General revenue:			
Property taxes	11,302	-	11,302
Unrestricted investment earnings	1,833	-	1,833
Miscellaneous	206	-	206
Total general revenues	<u>13,341</u>	<u>-</u>	<u>13,341</u>
Excess of expenditures over revenues	<u>3,752</u>	<u>(3,752)</u>	<u>-</u>
Change in net assets	-	3,752	3,752
Fund balance/net assets:			
Beginning of the year	<u>50,035</u>	<u>-</u>	<u>50,035</u>
End of the year	<u>\$ 53,787</u>	<u>\$ -</u>	<u>\$ 53,787</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 33
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance - July 1, 2005	\$ 39,537	\$ 39,537	\$ 49,833	\$ 10,296
Resources (inflows):				
Taxes	6,925	6,925	11,300	4,375
Use of money and property	953	953	1,523	570
Intergovernmental revenues	-	-	207	207
Charges for current services	6,688	6,688	6,666	(22)
Amounts available for appropriation	<u>14,566</u>	<u>14,566</u>	<u>19,696</u>	<u>5,130</u>
Charges to Appropriations (outflows):				
Public ways and facilities:				
Services and supplies	21,100	21,100	15,247	5,853
Contingencies	<u>2,110</u>	<u>2,110</u>	<u>-</u>	<u>2,110</u>
Total charges to appropriations	<u>23,210</u>	<u>23,210</u>	<u>15,247</u>	<u>7,963</u>
Budgetary Fund Balance - June 30, 2006	<u>\$ 30,893</u>	<u>\$ 30,893</u>	<u>\$ 54,282</u>	<u>\$ 23,389</u>

**Explanation of Differences Between Budgetary Inflows and Outflows
and GAAP Revenues and Expenditures:**

Sources/inflows of resources:

Actual amounts (budgetary basis) "available for appropriations" from
the budgetary comparison schedule not including fund balance \$ 19,696

Differences - budget to GAAP

Modified accrual basis of accounting to budgetary basis of accounting 311

Total revenues as reported on the statement of revenues and
expenditures and change in fund balance \$ 20,007

Uses/outflows of resources:

Actual amounts (budgetary basis) "total charges to appropriations"
from the budgetary comparison schedule \$ 15,247

Differences - budget to GAAP

Modified accrual basis of accounting to budgetary basis of accounting 1,008

Total expenditures as reported on the statement of revenues and
expenditures and change in fund balance \$ 16,255

COUNTY SERVICE AREA NO. 33
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

County Service Area No. 33, a special district (District) is a revenue fund of the County of Fresno (County), which is a political subdivision of the State of California. The District was formed in 1981 under the provisions of Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors (Board). The District is a component unit of the County of Fresno. The District was originally formed to provide street lighting for the Malaga Community. Since then, the McNeill-Fresno Industrial Park and the adjacent area, referred to as the Shapazian-McNeill Annexation, were annexed into the District. Street lighting is provided throughout the District while the Shapazian-McNeill Annexation receives both street lighting and landscape maintenance. The District contains 176 single family residences, 4 industrial parcels, and 27 undeveloped parcels. The District is not subject to federal or state income taxes.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

The District itself does not employ any personnel. Street lighting is provided by Pacific Gas & Electric. Water service is provided by the Malaga County Water District. The District contracts with an outside vendor to furnish all the labor and materials required for the performance of landscape maintenance. The Department of Public Works and Planning staff provides the necessary accounting services to the District on a reimbursement basis.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the District's activities. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

COUNTY SERVICE AREA NO. 33
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

Governmental Fund Financial Statements

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures, and changes in fund balance) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues susceptible to accrual are property taxes, interest on investments, and intergovernmental revenues. Property taxes are recorded as revenues in the fiscal year in which they are levied, provided they are collected in the current period or within sixty days thereafter. A one-year availability period is used for all other revenues. Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific expenditures are recognized when all eligibility requirements are met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District reports the following major governmental funds:

The *special revenue fund* accounts for special revenue that is legally restricted to expenditures for a particular purpose. The special revenue fund is the primary operating fund of County Service Area No. 33.

The District adopts annual appropriated budgets for its Special Revenue Fund which is a major fund. Budgetary comparison schedules have been provided for this fund to demonstrate compliance with the budgets.

COUNTY SERVICE AREA NO. 33
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

The District's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the Districts based on the ending cash balances in the County of Fresno Treasury.

2. Equity

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use in special purposes. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

In the government-wide financial statements, net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

3. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

COUNTY SERVICE AREA NO. 33
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

3. Property Taxes (Continued)

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIIIA (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

4. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the provisions of Sections 29000 through 29143 of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares and legally adopts a final balanced budget on or before August 30 for each fiscal year. Until the adoption of this final balanced budget, appropriations are based on the budget of the preceding year as allowed per Government Code 29124. The final adopted budget is available for review in the Auditor-Controller/Treasurer-Tax Collector's Office.

An operating balanced budget is adopted for each fiscal year for the District on the same modified accrual basis, including encumbrances, to reflect estimated revenues and expenditures. Public hearings are conducted on the proposed budget to review all appropriations and the source of financing. Because the final budget must be balanced, any shortfall in revenue requires an equal reduction in appropriations.

Budgetary control is exercised at the object level, except for fixed assets, which are controlled at the sub-object level. All amendments and any expenditures that exceed appropriations must be authorized and approved by the Board.

COUNTY SERVICE AREA NO. 33
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes in governmental funds. Encumbrance accounting is used to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at the time are reported as reservations of fund balance for subsequent year expenditures. The District did not have any outstanding encumbrances at June 30, 2006.

NOTE 3 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2006, consist of the following:

Deposits with County of Fresno Treasurer	<u>\$ 55,101</u>
Total cash and cash equivalents	<u>\$ 55,101</u>

Cash and cash equivalents as of June 30, 2006, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	<u>\$ 55,101</u>
Total cash and cash equivalents	<u>\$ 55,101</u>

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2006.

COUNTY SERVICE AREA NO. 33
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 4 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation, which is likely to have a material adverse affect on the financial position of the District.

**COUNTY SERVICE AREA NO. 34
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended
June 30, 2007**

COUNTY SERVICE AREA NO. 34
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2007

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 34 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 34 of County of Fresno, California, as of June 30, 2007, and the respective changes in financial position and cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 34 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
April 17, 2008

COUNTY SERVICE AREA NO. 34
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2007

ASSETS

Current assets:

Cash and cash equivalents	\$ 406,255
Receivables:	
Interest	<u>5,020</u>
Total current assets	<u>411,275</u>

Non-current assets:

Capital assets:

Buildings and improvements	4,585,010
Machinery and equipment	48,115
Less: accumulated depreciation	<u>(1,070,152)</u>
Total non-current assets	<u>3,562,973</u>

Total assets	<u>3,974,248</u>
--------------	------------------

LIABILITIES

Current liabilities:

Accounts payable	<u>118,499</u>
Total liabilities	<u>118,499</u>

NET ASSETS

Invested in capital assets	3,562,973
Unrestricted	<u>292,776</u>
Total net assets	<u>\$ 3,855,749</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 34
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2007

Operating revenues:	
Charges for services	\$ 3,273
Other operating revenues	<u>356,672</u>
Total operating revenue	<u>359,945</u>
Operating expenses:	
Insurance	2,505
Professional services	160,753
Special department	2,677
General and administrative	178,999
Repairs and maintenance	85,648
Utilities	80,601
Depreciation	<u>186,096</u>
Total operating expenses	<u>697,279</u>
Operating income (loss)	(337,334)
Non-operating revenues (expenses):	
Investment earnings	<u>18,432</u>
Total non-operating revenues (expenses)	<u>18,432</u>
Change in net assets	(318,902)
Net assets - beginning	<u>4,174,651</u>
Net assets - ending	<u>\$ 3,855,749</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 34
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2007

Cash flows from operating activities:	
Cash received from users	\$ 4,199
Cash paid to suppliers	(419,195)
Other operating receipts	<u>356,672</u>
Net cash provided by (used in) operating activities	<u>(58,324)</u>
Cash flows from investing activities:	
Interest on investments	<u>17,545</u>
Net cash provided by (used in) investing activities	<u>17,545</u>
Net increase (decrease) in cash and cash equivalents	(40,779)
Cash and cash equivalents - beginning	<u>447,034</u>
Cash and cash equivalents - ending	<u><u>\$ 406,255</u></u>

**Reconciliation of Operating Income (Loss) to Net Cash
Provided by Operating Activities:**

Operating income (loss)	\$ (337,334)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	186,096
(Increase) decrease in accounts receivable	926
Increase (decrease) in accounts payable	<u>91,988</u>
Total adjustments	<u>279,010</u>
Net cash provided by (used in) operating activities	<u><u>\$ (58,324)</u></u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 34
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

County Service Area No. 34, a special district (District), is an enterprise fund of the County of Fresno (County), which is a political subdivision of the State of California. The District was formed in 1986 under the provisions of Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors. The function of the District is to provide a full range of extended governmental services for the community of Millerton New Town. The area contains 1,018 acres and is located one and one-half miles east of the Friant Community, along both sides of Millerton Road. The proposed community will eventually contain 3,500 residences plus associated commercial and public facilities. The District is currently being divided into two zones: County Service Area No. 34 (Original Zone) and County Service Area Zone "A" (Zone "A").

Water services in the Original Zone are currently being provided by water reservations entered into prior to the current reporting period. Upon future growth of the District and expiration of the water reservations, the District will provide community water to its members.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

In 1989, the District's Zone "A" was formed to provide community services for the developing property known as Brighton Crest. Zone "A", lying on the east side of Millerton Road, was formed to provide water, sewer, road maintenance and street lighting services to the residents of the community. Zone "A" consists of 442 acres, including a golf course, 151 single-family lots of which approximately 42 have constructed homes, and some undeveloped land.

The County Board of Supervisors formed Zone "B" of the District on October 26, 2004. Zone "B" was established for the maintenance and operation of infrastructure for municipal water services to the Ventana Hills Estates subdivision. The Zone benefits approximately 90 lots located on the north side of Auberry Road. All costs associated with the operation, maintenance, and County staff costs will be paid by the benefiting properties.

The County Board of Supervisors formed on September 14, 2004. Zone "C" was established to provide road maintenance, street light maintenance and water services to the south of Millerton Road, approximately two miles east of Friant Road. The Zone benefits approximately 161 lots. All costs associated with the operation, maintenance, and County staff costs will be paid by the benefiting properties.

The combined District is not subject to federal or state income taxes. The District is a component unit of the County of Fresno.

COUNTY SERVICE AREA NO. 34
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The District itself does not employ any personnel. The Department of Public Works and Planning staff provides the necessary services such as maintenance and accounting to the District on a reimbursement basis.

B. Basis of Accounting

Pursuant to Governmental Accounting Standards Board (GASB) Standard No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary fund Accounting*, all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued before November 30, 1989, are applied to proprietary operations unless they conflict with GASB pronouncements. The District has elected not to apply FASB statements issued subsequent to November 30, 1989.

The District is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the government body is that the cost and expenses of providing goods or services to its customers be financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Enterprise funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

COUNTY SERVICE AREA NO. 34
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The District's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the District based on the ending cash balances in the County of Fresno Treasury.

2. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (not rounded) and an estimated useful life in excess of one year. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated or contributed fixed assets are recorded at their estimated fair value on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of buildings, plants, and machinery and equipment is computed using the straight-line method over the following estimated useful lives:

<u>Property Type</u>	<u>Useful Life</u>
Equipment	5 Years
Service vehicle	5 Years
Land improvements	15 Years
Generator	20 Years
Water treatment plant	40 Years

3. Net Assets

Net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

COUNTY SERVICE AREA NO. 34
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

4. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIIIA (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

5. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COUNTY SERVICE AREA NO. 34
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 2 — CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2007, consist of the following:

Deposits with County of Fresno Treasurer	<u>\$ 406,255</u>
Total cash and cash equivalents	<u>\$ 406,255</u>

Cash and cash equivalents as of June 30, 2007, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	<u>\$ 406,255</u>
Total cash and cash equivalents	<u>\$ 406,255</u>

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2007.

NOTE 3 — CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007, was as follows:

	July 1, 2006 Balance	Additions	Retirements	June 30, 2007 Balance
Capital assets being depreciated:				
Buildings and improvements	\$ 4,585,010	\$ -	\$ -	\$ 4,585,010
Machinery and equipment	48,115	-	-	48,115
Total capital assest being depreciated	<u>4,633,125</u>	<u>-</u>	<u>-</u>	<u>4,633,125</u>
Less accumulated depreciation:				
Buildings and improvements	(851,281)	(184,950)	-	(1,036,231)
Machinery and equipment	<u>(32,775)</u>	<u>(1,146)</u>	<u>-</u>	<u>(33,921)</u>
Total accumulated depreciation	<u>(884,056)</u>	<u>(186,096)</u>	<u>-</u>	<u>(1,070,152)</u>
Capital Assets, Net	<u>\$ 3,749,069</u>	<u>\$ (186,096)</u>	<u>\$ -</u>	<u>\$ 3,562,973</u>

**COUNTY SERVICE AREA NO. 34
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007**

NOTE 4 — RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 5 — COMMITMENTS AND CONTIGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation which is likely to have a material adverse affect on the financial position of the District.

**COUNTY SERVICE AREA NO. 34
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended
June 30, 2006**

COUNTY SERVICE AREA NO. 34
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 34 (District), a component unit of the County of Fresno, as of and for the fiscal year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 34 of County of Fresno, California, as of June 30, 2006, and the respective changes in financial position and cash flows, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 34 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
May 24, 2007

COUNTY SERVICE AREA NO. 34
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2006

ASSETS

Current assets:

Cash and cash equivalents	\$ 447,034
Receivables:	
Accounts	926
Interest	<u>4,134</u>
Total current assets	<u>452,094</u>

Non-current assets:

Capital assets:

Buildings and improvements	4,585,010
Machinery and equipment	48,115
Less: accumulated depreciation	<u>(884,056)</u>
Total non-current assets	<u>3,749,069</u>

Total assets	<u>4,201,163</u>
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LIABILITIES

Current liabilities:

Accounts payable	<u>26,511</u>
Total liabilities	<u>26,511</u>

NET ASSETS

Invested in capital assets	3,749,069
Unrestricted	<u>425,583</u>
Total net assets	<u>\$ 4,174,652</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 34
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2006

Operating revenues:	
Charges for services	\$ 2,590
Other operating revenues	<u>449,317</u>
Total operating revenue	<u>451,907</u>
 Operating expenses:	
Insurance	2,767
Professional services	158,751
Special department	1,287
General and administrative	89,536
Repairs and Maintenance	56,000
Utilities	57,072
Depreciation	<u>186,096</u>
Total operating expenses	<u>551,509</u>
 Operating income (loss)	(99,602)
 Non-operating revenues (expenses):	
Investment earnings	<u>11,409</u>
Total non-operating revenues (expenses)	<u>11,409</u>
 Change in net assets	(88,193)
 Net assets - beginning	<u>4,262,845</u>
 Net assets - ending	<u>\$ 4,174,652</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 34
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2006

Cash flows from operating activities:	
Cash received from users	\$ 1,833
Cash paid to suppliers	(392,348)
Other operating receipts	<u>449,317</u>
Net cash provided by (used in) operating activities	<u>58,802</u>
Cash flows from investing activities:	
Interest on investments	<u>9,765</u>
Net cash provided by (used in) investing activities	<u>9,765</u>
Net increase (decrease) in cash and cash equivalents	68,567
Cash and cash equivalents - beginning	<u>378,467</u>
Cash and cash equivalents - ending	<u>\$ 447,034</u>

**Reconciliation of Operating Income (Loss) to Net Cash
Provided by Operating Activities:**

Operating income (loss)	\$ (99,602)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	186,096
(Increase) decrease in accounts receivable	(757)
(Increase) decrease in prepaid insurance	1,087
Increase (decrease) in accounts payable	<u>(28,022)</u>
Total adjustments	<u>158,404</u>
Net cash provided by (used in) operating activities	<u>\$ 58,802</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 34
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

County Service Area No. 34, a special district (District), is an enterprise fund of the County of Fresno (County), which is a political subdivision of the State of California. The District was formed in 1986 under the provisions of Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors. The function of the District is to provide a full range of extended governmental services for the community of Millerton New Town. The area contains 1,018 acres and is located one and one-half miles east of the Friant Community, along both sides of Millerton Road. The proposed community will eventually contain 3,500 residences plus associated commercial and public facilities. The District is currently being divided into two zones: County Service Area No. 34 (Original Zone) and County Service Area Zone "A" (Zone "A").

Water services in the Original Zone are currently being provided by water reservations entered into prior to the current reporting period. Upon future growth of the District and expiration of the water reservations, the District will provide community water to its members.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

In 1989, the District's Zone "A" was formed to provide community services for the developing property known as Brighton Crest. Zone "A", lying on the east side of Millerton Road, was formed to provide water, sewer, road maintenance and street lighting services to the residents of the community. Zone "A" consists of 442 acres, including a golf course, 151 single-family lots of which approximately 42 have constructed homes, and some undeveloped land.

The County Board of Supervisors formed Zone "B" of the District on October 26, 2004. Zone "B" was established for the maintenance and operation of infrastructure for municipal water services to the Ventana Hills Estates subdivision. The Zone benefits approximately 90 lots located on the north side of Auberry Road. All costs associated with the operation, maintenance, and County staff costs will be paid by the benefiting properties.

The County Board of Supervisors formed on September 14, 2004. Zone "C" was established to provide road maintenance, street light maintenance and water services to the south of Millerton Road, approximately two miles east of Friant Road. The Zone benefits approximately 161 lots. All costs associated with the operation, maintenance, and County staff costs will be paid by the benefiting properties.

The combined District is not subject to federal or state income taxes. The District is a component unit of the County of Fresno.

COUNTY SERVICE AREA NO. 34
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The District itself does not employ any personnel. The Department of Public Works and Planning staff provides the necessary services such as maintenance and accounting to the District on a reimbursement basis.

B. Basis of Accounting

Pursuant to Governmental Accounting Standards Board (GASB) Standard No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary fund Accounting*, all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued before November 30, 1989, are applied to proprietary operations unless they conflict with GASB pronouncements. The District has elected not to apply FASB statements issued subsequent to November 30, 1989.

The District is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the government body is that the cost and expenses of providing goods or services to its customers be financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Enterprise funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

COUNTY SERVICE AREA NO. 34
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The District's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the District based on the ending cash balances in the County of Fresno Treasury.

2. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (not rounded) and an estimated useful life in excess of one year. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated or contributed fixed assets are recorded at their estimated fair value on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of buildings, plants, and machinery and equipment is computed using the straight-line method over the following estimated useful lives:

<u>Property Type</u>	<u>Useful Life</u>
Equipment	5 Years
Service vehicle	5 Years
Land improvements	15 Years
Generator	20 Years
Water treatment plant	40 Years

3. Net Assets

Net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

COUNTY SERVICE AREA NO. 34
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

4. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIII A (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

5. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COUNTY SERVICE AREA NO. 34
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 3— CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2006, consist of the following:

Deposits with County of Fresno Treasurer	<u>\$ 447,034</u>
Total cash and cash equivalents	<u>\$ 447,034</u>

Cash and cash equivalents as of June 30, 2006, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	<u>\$ 447,034</u>
Total cash and cash equivalents	<u>\$ 447,034</u>

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2006.

NOTE 4— CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006, was as follows:

	July 1, 2005 Balance	Additions	Retirements	June 30, 2006 Balance
Capital assets being depreciated:				
Buildings and improvements	\$ 4,585,010	\$ -	\$ -	\$ 4,585,010
Machinery and equipment	48,115	-	-	48,115
Total capital asset being depreciated	<u>4,633,125</u>	<u>-</u>	<u>-</u>	<u>4,633,125</u>
Less accumulated depreciation:				
Buildings and improvements	(666,332)	(184,950)	-	(851,282)
Machinery and equipment	(31,628)	(1,146)	-	(32,774)
Total accumulated depreciation	<u>(697,960)</u>	<u>(186,096)</u>	<u>-</u>	<u>(884,056)</u>
Capital Assets, Net	<u>\$ 3,935,165</u>	<u>\$ (186,096)</u>	<u>\$ -</u>	<u>\$ 3,749,069</u>

COUNTY SERVICE AREA NO. 34
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 5—RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 6—COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation, which is likely to have a material adverse affect on the financial position of the District.

**COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended
June 30, 2007**

**COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

June 30, 2007

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 35 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 financial position of County Service Area No. 35, as of June 30, 2007, and the respective changes in financial position and the respective budgetary comparison for the major Special Revenue Fund, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 35 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
April 17, 2008

COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash and cash equivalents	\$ 2,149,019	\$ -	\$ 2,149,019
Interest receivable	<u>26,528</u>	<u>-</u>	<u>26,528</u>
Total assets	<u>\$ 2,175,547</u>	<u>-</u>	<u>2,175,547</u>
LIABILITIES			
Accounts payable	\$ 49,429	-	49,429
Total liabilities	<u>49,429</u>	<u>-</u>	<u>49,429</u>
FUND BALANCE/NET ASSETS			
Fund balance:			
Unreserved	<u>2,126,118</u>	<u>(2,126,118)</u>	<u>-</u>
Total fund balance	<u>2,126,118</u>	<u>(2,126,118)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 2,175,547</u>		
Net assets:			
Unrestricted		<u>2,126,118</u>	<u>2,126,118</u>
Total net assets		<u>\$ 2,126,118</u>	<u>\$ 2,126,118</u>

The notes to the financial statements are an integral part of this statements.

COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE**
For the Year Ended June 30, 2007

	Governmental Fund	Adjustments	Statement of Activities
Expenditures/Expenses			
Public ways and facilities	\$ 349,548	\$ -	\$ 349,548
Total expenditures/expenses	<u>349,548</u>	<u>-</u>	<u>349,548</u>
Revenues			
Program revenue:			
Charges for services	<u>578,843</u>	<u>-</u>	<u>578,843</u>
Total program revenue	<u>578,843</u>	<u>-</u>	<u>578,843</u>
Net program expense			<u>229,295</u>
General revenue:			
Unrestricted investment earnings	93,292	-	93,292
Miscellaneous	<u>96</u>	<u>-</u>	<u>96</u>
Total general revenues	<u>93,388</u>	<u>-</u>	<u>93,388</u>
Excess of revenues over expenditures	<u>322,683</u>	<u>(322,683)</u>	<u>-</u>
Change in net assets	-	322,683	322,683
Fund balance/net assets:			
Beginning of the year	<u>1,803,435</u>	<u>-</u>	<u>1,803,435</u>
End of the year	<u>\$ 2,126,118</u>	<u>\$ -</u>	<u>\$ 2,126,118</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance - July 1, 2006	\$ (816,643)	\$ (721,643)	\$ 1,837,718	\$ 2,559,361
Resources (inflows):				
Use of money and property	32,155	32,155	84,446	52,291
Charges for current services	577,460	577,460	578,843	1,383
Property Taxes	425	425	-	(425)
Intergovernmental revenues	-	-	96	96
Amounts available from appropriation	610,040	610,040	663,385	53,345
Charges to Appropriations (outflows):				
Road Maintenance - Service and Supplies:				
<u>Zone</u>				
A	49,719	49,719	5,200	44,519
B	74,539	74,539	45,216	29,323
C	26,081	26,081	1,620	24,461
D	11,774	11,774	867	10,907
E	26,959	26,959	24,508	2,451
F	40,691	40,691	6,804	33,887
G	47,114	47,114	6,272	40,842
H	4,936	4,936	255	4,681
I	43,098	43,098	2,409	40,689
J	11,359	11,359	658	10,701
K	14,025	14,025	723	13,302
L	4,348	4,348	3,691	657
M	10,073	10,073	763	9,310
N	8,402	8,102	3,561	4,541
O	81,072	81,072	49,295	31,777
P	7,542	7,542	5,380	2,162
S	46,658	46,658	4,009	42,649
T	5,122	5,122	610	4,512
U	50,011	50,011	2,563	47,448
V	50,369	50,369	16,042	34,327
X	6,266	6,266	365	5,901
Z	52,970	52,970	3,789	49,181
AA	24,352	24,352	1,197	23,155
AB	6,455	6,455	324	6,131
AC	38,119	38,119	1,878	36,241
AD	20,791	20,791	1,025	19,766
AE	15,829	15,829	776	15,053
AF	23,058	23,058	1,182	21,876
AG	63,074	73,074	66,438	6,636
AH	20,761	20,761	897	19,864
AI	7,424	7,424	383	7,041
AJ	8,186	8,186	410	7,776
AK	11,797	11,797	4,882	6,915

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Charges to Appropriations (outflows):				
Road Maintenance - Service and Supplies (continued):				
<u>Zone</u>				
AM	10,771	10,771	544	10,227
AN	11,379	11,379	567	10,812
AO	23,785	23,785	1,181	22,604
AP	7,707	7,707	400	7,307
AQ	14,467	14,467	719	13,748
AR	18,015	18,015	1,016	16,999
AT	66,072	66,072	17,689	48,383
AU	31,430	31,430	1,539	29,891
AV	10,839	10,839	540	10,299
AX	7,153	7,153	357	6,796
AY	12,620	12,620	617	12,003
AZ	4,156	4,156	204	3,952
BA	24,853	24,853	1,216	23,637
BB	14,082	14,082	3,257	10,825
BC	4,489	4,489	227	4,262
BD	12,494	12,494	612	11,882
BG	18,339	18,339	7,955	10,384
BH	7,912	7,912	386	7,526
BI	28,508	28,508	1,395	27,113
BJ	20,940	20,940	1,284	19,656
BL	7,142	7,142	291	6,851
BM	7,488	7,488	374	7,114
BN	2,398	2,398	116	2,282
BO	4,958	4,958	191	4,767
BQ	11,614	11,614	577	11,037
BR	5,827	5,827	405	5,422
BS	4,916	4,916	507	4,409
BU	4,095	4,095	202	3,893
BW	4,261	4,261	218	4,043
BX	4,343	4,343	218	4,125
BY	3,241	3,241	168	3,073
CA	1,649	1,649	59	1,590
CB	1,295	1,295	56	1,239
CC	8,288	8,288	324	7,964
CD	22,703	22,703	18,774	3,929
CE	2,015	2,015	77	1,938
CF	1,929	1,929	76	1,853
Total charges to appropriation	1,361,147	1,370,847	328,330	1,042,517
Budgetary Fund Balance - June 30, 2007	<u>\$(1,567,750)</u>	<u>\$(1,482,450)</u>	<u>\$ 2,172,773</u>	<u>\$ 3,655,223</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2007

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "available from appropriation" from the budgetary comparison schedule	\$ 663,385
Differences - Budget to GAAP	
Budgetary basis to modified accrual basis adjustment	<u>8,846</u>
Total revenues as reported on the combining statement of revenues and expenditures, and changes in fund balance - nonmajor special revenue funds	<u>\$ 672,231</u>

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "available from appropriation" from the budgetary comparison schedule	\$ 328,330
Differences - Budget to GAAP	
Budgetary basis to modified accrual basis adjustment	<u>21,218</u>
Total expenditures as reported on the combining statement of revenues and expenditures, and changes in fund balance - nonmajor special revenue funds	<u>\$ 349,548</u>

COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

County Service Area No. 35, a special district (District), is a special revenue fund of the County of Fresno (County), which is a political subdivision of the State of California. The District was formed under the provisions of Government Code Section 25210.1 et. seq., and is comprised of seventy active independent zones located throughout the County of Fresno. The District is governed by the County of Fresno Board of Supervisors (Board). The District is a component unit of the County of Fresno. The District is dynamic in that new zones are added and old zones deleted, as warranted and with approval of the Board. The function of the District is to provide road maintenance in each zone. The cost of road maintenance is generally only shared equally among the property owners on a per parcel basis of each of the District's independent zone. The District is not subject to federal or state income taxes.

During the current fiscal year, three other zones that were inactive as of last audit period, "CD", "CE", and "CF," became active during the current fiscal year period. As a result, the District reported a total of seventy active zones.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

The District itself does not employ any personnel. The Department of Public Works and Planning staff provides the necessary services such as maintenance and accounting to the District on a reimbursement basis.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the District's activities. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

Governmental Fund Financial Statements

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures, and changes in fund balance) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues susceptible to accrual are property taxes, interest on investments, and intergovernmental revenues. Property taxes are recorded as revenues in the fiscal year in which they are levied, provided they are collected in the current period or within sixty days thereafter. A one-year availability period is used for all other revenues. Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific expenditures are recognized when all eligibility requirements are met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District reports the following major governmental funds:

The *special revenue fund* accounts for special revenue that is legally restricted to expenditures for a particular purpose. The special revenue fund is the primary operating fund of County Service Area No. 35.

The District adopts annual appropriated budgets for its Special Revenue Fund which is a major fund. Budgetary comparison schedules have been provided for this fund to demonstrate compliance with the budgets.

COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

The District's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the Districts based on the ending cash balances in the County of Fresno Treasury.

2. Accounts Payable

Certain costs are incurred by the District during the current reporting period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. The District's current accounts payable balance of \$49,429 as of June 30, 2007, is related to certain contract services and maintenance expenses.

3. Equity

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use in special purposes. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

In the government-wide financial statements, net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

4. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIIIA (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

5. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the provisions of Sections 29000 through 29143 of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares and legally adopts a final balanced budget on or before August 30 for each fiscal year. Until the adoption of this final balanced budget, appropriations are based on the budget of the preceding year as allowed per Government Code 29124. The final adopted budget is available for review in the Auditor-Controller/Treasurer-Tax Collector's Office.

An operating balanced budget is adopted for each fiscal year for the District on the same modified accrual basis, including encumbrances, to reflect estimated revenues and expenditures. Public hearings are conducted on the proposed budget to review all appropriations and the source of financing. Because the final budget must be balanced, any shortfall in revenue requires an equal reduction in appropriations.

Budgetary control is exercised at the object level, except for fixed assets, which are controlled at the sub-object level. All amendments and any expenditures that exceed appropriations must be authorized and approved by the Board.

Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes in governmental funds. Encumbrance accounting is used to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at the time are reported as reservations of fund balance for subsequent year expenditures. The District did not have any outstanding encumbrances at June 30, 2007.

B. Excess in Expenditures Over Appropriations

The District did not incur any expenditures in excess of appropriations for the year ended June 30, 2007.

COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 3 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2007, consist of the following:

Deposits with County of Fresno Treasurer	<u>\$ 2,149,019</u>
Total cash and cash equivalents	<u>\$ 2,149,019</u>

Cash and cash equivalents as of June 30, 2007, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	<u>\$ 2,149,019</u>
Total cash and cash equivalents	<u>\$ 2,149,019</u>

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2007.

NOTE 4 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation which is likely to have a material adverse affect on the financial position of the District.

**COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended
June 30, 2006**

COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 35 (District), a component unit of the County of Fresno, as of and for the fiscal year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 35, as of June 30, 2006, and the respective changes in financial position and the respective budgetary comparison for the major Special Revenue Fund, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 35 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
May 24, 2007

COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2006

	Governmental Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash and cash equivalents	\$ 1,821,714	\$ -	\$ 1,821,714
Interest receivable	17,682	-	17,682
Total assets	<u>\$ 1,839,396</u>	<u>-</u>	<u>1,839,396</u>
LIABILITIES			
Accounts payable	\$ 35,961	-	35,961
Total liabilities	<u>35,961</u>	<u>-</u>	<u>35,961</u>
FUND BALANCE/NET ASSETS			
Fund balance:			
Unreserved	1,803,435	(1,803,435)	-
Total fund balance	<u>1,803,435</u>	<u>(1,803,435)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 1,839,396</u>		
Net Assets:			
Unrestricted		1,803,435	1,803,435
Total net assets		<u>\$ 1,803,435</u>	<u>\$ 1,803,435</u>

The notes to the financial statements are an integral part of this statements.

COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE**
For the Year Ended June 30, 2006

	Governmental Fund	Adjustments	Statement of Activities
Expenditures/Expenses			
Public ways and facilities	\$ 423,797	\$ -	\$ 423,797
Total expenditures/expenses	<u>423,797</u>	<u>-</u>	<u>423,797</u>
Revenues			
Program revenue:			
Charges for services	531,271	-	531,271
Total program revenue	<u>531,271</u>	<u>-</u>	<u>531,271</u>
Net program expense			<u>107,474</u>
General revenue:			
Unrestricted investment earnings	55,236	-	55,236
Total general revenues	<u>55,236</u>	<u>-</u>	<u>55,236</u>
Excess of revenues over expenditures	<u>162,710</u>	<u>(162,710)</u>	<u>-</u>
Change in net assets	-	162,710	162,710
Fund balance/net assets:			
Beginning of the year	<u>1,640,725</u>	<u>-</u>	<u>1,640,725</u>
End of the year	<u>\$ 1,803,435</u>	<u>\$ -</u>	<u>\$ 1,803,435</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance - July 1, 2005	\$ -	\$ -	\$ 1,671,356	\$ 1,671,356
Resources (inflows):				
Use of money and property	28,990	28,990	48,751	19,761
Charges for current services	545,431	545,431	531,271	(14,160)
Amounts available from appropriation	574,421	574,421	580,022	5,601
Charges to Appropriations (outflows):				
Road Maintenance - Service and Supplies:				
<u>Zone</u>				
A	54,746	54,746	31,718	23,028
B	69,612	119,612	78,259	41,353
C	24,386	24,386	6,768	17,618
D	8,864	8,864	2,273	6,591
E	23,927	23,927	2,475	21,452
F	47,011	47,011	21,769	25,242
G	58,227	58,227	34,532	23,695
H	4,637	4,637	611	4,026
I	38,915	38,915	3,200	35,715
J	11,803	11,803	3,694	8,109
K	14,098	14,098	1,709	12,389
L	4,052	4,052	776	3,276
M	8,500	8,500	984	7,516
N	7,832	7,832	1,300	6,532
O	87,303	87,303	69,769	17,534
P	7,033	7,033	800	6,233
R	-	-	3,248	(3,248)
S	40,016	40,016	4,232	35,784
T	4,243	4,243	1,023	3,220
U	47,051	47,051	3,117	43,934
V	47,810	47,810	25,388	22,422
X	4,706	4,706	703	4,003
Z	28,727	28,727	2,257	26,470
AA	23,166	23,166	1,818	21,348
AB	50,608	5,608	605	5,003
AC	36,128	36,128	2,559	33,569
AD	119,470	19,470	1,494	17,976
AE	12,981	12,981	1,423	11,558
AF	22,238	22,238	2,712	19,526
AG	52,953	52,953	36,116	16,837
AH	18,174	18,174	2,432	15,742
AI	6,657	6,657	1,100	5,557
AJ	7,568	7,568	1,007	6,561
AK	12,961	12,961	6,511	6,450

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2006

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Charges to Appropriations (outflows):				
Road Maintenance - Service and Supplies (continued):				
<u>Zone</u>				
AL	5,020	5,020	1,491	3,529
AM	10,173	10,173	1,036	9,137
AN	10,723	10,723	1,040	9,683
AO	22,476	22,476	1,871	20,605
AP	7,470	7,470	805	6,665
AQ	13,860	13,860	1,210	12,650
AR	15,599	15,599	1,404	14,195
AT	52,250	52,250	16,164	36,086
AU	29,494	29,494	2,212	27,282
AV	9,693	9,693	971	8,722
AW	-	-	-	-
AX	6,731	6,731	816	5,915
AY	11,558	11,558	1,131	10,427
AZ	3,330	3,330	553	2,777
BA	22,123	22,123	2,010	20,113
BB	13,009	13,009	1,318	11,691
BC	3,925	3,925	619	3,306
BD	11,358	11,358	1,024	10,334
BG	20,860	20,860	7,915	12,945
BH	13,005	6,281	882	5,399
BI	26,335	26,335	2,107	24,228
BJ	18,208	18,208	1,456	16,752
BK	-	1,909	856	1,053
BL	2,322	2,322	246	2,076
BM	6,831	6,831	796	6,035
BN	-	1,521	196	1,325
BO	2,484	2,484	50	2,434
BQ	9,779	9,779	1,646	8,133
BR	5,434	5,434	723	4,711
BS	4,417	4,417	661	3,756
BU	4,502	3,312	527	2,785
BW	1,521	3,412	470	2,942
BX	-	3,383	459	2,924
BY	3,383	2,593	363	2,230
CA	821	821	50	771
CB	639	639	25	614
CC	4,087	4,087	50	4,037
CD	9,302	9,302	100	9,202
CE	994	994	25	969
CF	945	945	-	945
Total charges to appropriation	1,391,064	1,296,064	413,660	882,404
Budgetary Fund Balance - June 30, 2006	\$ (816,643)	\$ (721,643)	\$ 1,837,718	\$ 2,559,361

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2006

Explanation of Differences Between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures:

Sources/Inflows of Resources:

Actual amounts (budgetary basis) "available from appropriation" from the budgetary comparison schedule	\$ 580,022
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Differences - Budget to GAAP	
Budgetary basis to modified accrual basis adjustment	<u>(156,225)</u>

Total expenditures as reported on the combining statement of revenues and expenditures, and changes in fund balance - nonmajor special revenue funds	<u>\$ 423,797</u>
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Uses/Outflows of Resources:

Actual amounts (budgetary basis) "available from appropriation" from the budgetary comparison schedule	\$ 413,660
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Differences - Budget to GAAP	
Budgetary basis to modified accrual basis adjustment	<u>172,847</u>

Total expenditures as reported on the combining statement of revenues and expenditures, and changes in fund balance - nonmajor special revenue funds	<u>\$ 586,507</u>
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COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

County Service Area No. 35, a special district (District), is a special revenue fund of the County of Fresno (County), which is a political subdivision of the State of California. The District was formed under the provisions of Government Code Section 25210.1 et. seq., and is comprised of seventy active independent zones located throughout the County of Fresno. The District is governed by the County of Fresno Board of Supervisors (Board). The District is a component unit of the County of Fresno. The District is dynamic in that new zones are added and old zones deleted, as warranted and with approval of the Board. The function of the District is to provide road maintenance in each zone. The cost of road maintenance is generally only shared equally among the property owners on a per parcel basis of each of the District's independent zone. The District is not subject to federal or state income taxes.

During the current fiscal year, three other zones that were inactive as of last audit period, "CD", "CE", and "CF," became active during the current fiscal year period. As a result, the District reported a total of seventy active zones.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

The District itself does not employ any personnel. The Department of Public Works and Planning staff provides the necessary services such as maintenance and accounting to the District on a reimbursement basis.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the District's activities. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements are met. Expenses are recorded when liabilities are incurred.

Governmental Fund Financial Statements

Governmental fund financial statements (i.e., balance sheet and statement of revenues, expenditures, and changes in fund balance) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues susceptible to accrual are property taxes, interest on investments, and intergovernmental revenues. Property taxes are recorded as revenues in the fiscal year in which they are levied, provided they are collected in the current period or within sixty days thereafter. A one-year availability period is used for all other revenues. Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursements for specific expenditures are recognized when all eligibility requirements are met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District reports the following major governmental funds:

The *special revenue fund* accounts for special revenue that is legally restricted to expenditures for a particular purpose. The special revenue fund is the primary operating fund of County Service Area No. 35.

The District adopts annual appropriated budgets for its Special Revenue Fund which is a major fund. Budgetary comparison schedules have been provided for this fund to demonstrate compliance with the budgets.

COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

The District's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the Districts based on the ending cash balances in the County of Fresno Treasury.

2. Accounts Payable

Certain costs are incurred by the District during the current reporting period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. The District's current accounts payable balance of \$35,961 as of June 30, 2006, is related to certain contract services and maintenance expenses.

3. Equity

Fund Balance

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use in special purposes. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

In the government-wide financial statements, net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net assets."

COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

4. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIIIA (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

5. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

In accordance with the provisions of Sections 29000 through 29143 of the California Government Code and other statutory provisions, commonly known as the County Budget Act, the County prepares and legally adopts a final balanced budget on or before August 30 for each fiscal year. Until the adoption of this final balanced budget, appropriations are based on the budget of the preceding year as allowed per Government Code 29124. The final adopted budget is available for review in the Auditor-Controller/Treasurer-Tax Collector's Office.

An operating balanced budget is adopted for each fiscal year for the District on the same modified accrual basis, including encumbrances, to reflect estimated revenues and expenditures. Public hearings are conducted on the proposed budget to review all appropriations and the source of financing. Because the final budget must be balanced, any shortfall in revenue requires an equal reduction in appropriations.

Budgetary control is exercised at the object level, except for fixed assets, which are controlled at the sub-object level. All amendments and any expenditures that exceed appropriations must be authorized and approved by the Board.

Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes in governmental funds. Encumbrance accounting is used to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at the time are reported as reservations of fund balance for subsequent year expenditures. The District did not have any outstanding encumbrances at June 30, 2006.

B. Excess in Expenditures over Appropriations

The District incurred expenditures in excess of appropriation in the following amounts for the fiscal year June 30, 2006:

Road maintenance – service and supplies:	
Zone R	\$ 3,248

COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 3 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2006, consist of the following:

Deposits with County of Fresno Treasurer	<u>\$ 1,821,714</u>
Total cash and cash equivalents	<u>\$ 1,821,714</u>

Cash and cash equivalents as of June 30, 2006, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	<u>\$ 1,821,714</u>
Total cash and cash equivalents	<u>\$ 1,821,714</u>

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2006.

NOTE 4 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation, which is likely to have a material adverse affect on the financial position of the District.

**COUNTY SERVICE AREA NO. 38
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended
June 30, 2007**

COUNTY SERVICE AREA NO. 38
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2007

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 38 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 38 of County of Fresno, California, as of June 30, 2007, and the respective changes in financial position and cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 38 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
April 17, 2008

COUNTY SERVICE AREA NO. 38
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2007

ASSETS

Current assets:

Cash and cash equivalents	\$ 299,951
Interest receivable	<u>3,729</u>
Total current assets	<u>303,680</u>

Noncurrent assets:

Capital assets:

Nondepreciable:

Buildings and improvements	409,986
Less: accumulated depreciation	<u>(8,200)</u>
Total noncurrent assets	<u>401,786</u>

Total assets	<u>705,466</u>
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LIABILITIES

Current liabilities:

Accounts payable	<u>892</u>
Total liabilities	<u>892</u>

NET ASSETS

Invested in capital assets	401,786
Unrestricted	<u>302,788</u>
Total net assets	<u>\$ 704,574</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 38
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2007

Operating revenues:	
Charges for services	\$ 18,971
Total operating revenues	<u>18,971</u>
Operating expenses:	
Office expense	211
Professional and specialized services	2,909
Depreciation	<u>8,200</u>
Total operating expenses	<u>11,320</u>
Operating income (loss)	<u>7,651</u>
Non-operating revenues (expenses):	
Investment earnings	14,928
Developer contributions	<u>301,257</u>
Total non-operating revenues (expenses)	<u>316,185</u>
Change in net assets	323,836
Net assets - beginning	<u>380,738</u>
Net assets - ending	<u>\$ 704,574</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 38
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2007

Cash flows from operating activities:	
Cash received from users	\$ 18,971
Cash paid to suppliers	<u>(20,876)</u>
Net cash provided by (used in) operating activities	<u>(1,905)</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(51,955)</u>
Net cash provided by (used in) investing activities	<u>(51,955)</u>
Cash flows from investing activities:	
Interest on investments	<u>14,529</u>
Net cash provided by (used in) investing activities	<u>14,529</u>
Net increase (decrease) in cash and cash equivalents	(39,331)
Cash and cash equivalents - beginning	<u>339,282</u>
Cash and cash equivalents - ending	<u><u>\$ 299,951</u></u>

Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:

Operating income (loss)	\$ 7,651
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation	8,200
Increase (decrease) in accounts payable	<u>(17,756)</u>
Total adjustments	<u>(9,556)</u>
Net cash provided by (used in) operating activities	<u><u>\$ (1,905)</u></u>

Supplemental Disclosure of Noncash Capital and Related Financing Activities

Capital assets contributed by developers	<u><u>\$ 301,257</u></u>
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The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 38
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

County Service Area No. 38, a special district (District), is an enterprise fund of the County of Fresno (County), which is a political subdivision of the State of California. The function of the District is to provide a potable water system in the unincorporated areas of the County of Fresno, east of the City of Dos Palos. The Water Quality Improvement Joint Powers Authority (JPA) prepares and administers a budget for the general operation and maintenance of this water system. The rates charged by the District fund the services contracted for by the JPA.

Prior to July 1993, the City of Dos Palos was responsible for providing the District with secretarial staff, backflow device inspection, revenue account maintenance, and related support services on a cost reimbursement basis. On July 1, 1993, the City of Dos Palos notified the JPA that it would no longer provide the above services. The Citizens' Advisory Councils of the District requested the District to provide the necessary services. These services are funded by cash transfers (of unallocated revenues collected by the JPA) to the District.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

The District was formed in 1993 under the provisions of Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors. The District is not subject to federal or state income taxes. The District is a component unit of the County of Fresno.

The District itself does not employ any personnel. The Department of Public Works and Planning staff provides the necessary services such as maintenance and accounting to the District on a reimbursement basis.

B. Basis of Accounting

Pursuant to Governmental Accounting Standards Board (GASB) Standard No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary fund Accounting*, all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued before November 30, 1989, are applied to proprietary operations unless they conflict with GASB pronouncements. The District has elected not to apply FASB statements issued subsequent to November 30, 1989.

The District is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

COUNTY SERVICE AREA NO. 38
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting (Continued)

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the government body is that the cost and expenses of providing goods or services to its customers be financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Enterprise funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The District's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the District based on the ending cash balances in the County of Fresno Treasury.

2. Accounts Payable

Certain costs are incurred by the District during the current reporting period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. The District's current accounts payable balance of \$892 as of June 30, 2007, is related to certain contract services and payments for utility fees.

COUNTY SERVICE AREA NO. 38
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

3. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (not rounded) and an estimated useful life in excess of one year. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated or contributed fixed assets are recorded at their estimated fair value on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

4. Net Assets

Net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

5. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

COUNTY SERVICE AREA NO. 38
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

5. Property Taxes (Continued)

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIIIA (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2007, consist of the following:

Deposits with County of Fresno Treasurer	<u>\$ 299,951</u>
Total cash and cash equivalents	<u>\$ 299,951</u>

Cash and cash equivalents as of June 30, 2007, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	<u>\$ 299,951</u>
Total cash and cash equivalents	<u>\$ 299,951</u>

COUNTY SERVICE AREA NO. 38
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2007.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007, was as follows:

	July 1, 2006 Balance	Additions	Retirements	June 30, 2007 Balance
Capital assets not being depreciated:				
Construction in progress	\$ 56,774	\$ -	\$ 56,774	\$ -
Total capital assets not being depreciated	<u>56,774</u>	<u>-</u>	<u>56,774</u>	<u>-</u>
Capital assets being depreciated:				
Buildings and Improvements	-	409,986	-	409,986
Total capital assets being depreciated	<u>-</u>	<u>409,986</u>	<u>-</u>	<u>409,986</u>
Less accumulated depreciation				
Buildings and Improvements	-	(8,200)	-	(8,200)
Total depreciation	<u>-</u>	<u>(8,200)</u>	<u>-</u>	<u>(8,200)</u>
Capital Assets, Net	<u>\$ 56,774</u>	<u>\$ 401,786</u>	<u>\$ 56,774</u>	<u>\$ 401,786</u>

NOTE 4 – JOINT POWERS AGREEMENT (JPA)

The District has entered into a joint agreement with the County of Fresno and the City of Dos Palos to establish a common water supply and delivery system to be known as the "Dos Palos Area Water Quality Improvement System," to upgrade water quality in the geographic area with the boundaries of the entities.

COUNTY SERVICE AREA NO. 38
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 4 – JOINT POWERS AGREEMENT (JPA) (Continued)

The JPA assumes responsibility for the acquisition and ownership of assets, repayment of debt, operating revenue and expenses. The JPA may either perform services itself or contract the work to another entity.

The JPA is funded through the receipt of funds from the Farmers Home Association Grant and service fees paid by the users of the system provided. The grant award was contingent on the JPA setting up a county service area (No. 38).

Currently, the County of Fresno maintains District reserve accounts, provides for annual backflow device inspection, secretarial services and related support services, and prepares the budget for presentation to the Board of Supervisors on a cost reimbursement basis. The City of Dos Palos prepares the monthly billings, monitors accounts receivable and accounts payable as requested by the JPA. On a regular basis the JPA distributes revenue to the District for services rendered or to be rendered, from unallocated revenues collected by the JPA.

NOTE 5 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation which is likely to have a material adverse affect on the financial position of the District.

NOTE 7 – SUBSEQUENT EVENT

On December 4, 2007, the County of Fresno Board of Supervisors authorized the District's remaining funds be transferred from the County of Fresno to the County of Merced as a result of a board-approved ordinance boundary change. The District was in the area subject to the boundary change and all of the District's funds were to be completely transferred to the County of Merced by January 31, 2008, however as of the report date, the transfer of funds was not completed due to County of Merced Counsel desire to close out the JPA agreement. This process is not complete yet as Merced and Fresno County Counsels are still negotiating the agreement.

**COUNTY SERVICE AREA NO. 38
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended
June 30, 2006**

COUNTY SERVICE AREA NO. 38
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 38 (District), a component unit of the County of Fresno, as of and for the fiscal year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 38 of County of Fresno, California, as of June 30, 2006, and the respective changes in financial position and cash flows, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 38 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
May 24, 2007

COUNTY SERVICE AREA NO. 38
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2006

ASSETS

Current assets:

Cash and cash equivalents	\$ 339,281
Interest receivable	<u>3,331</u>
Total current assets	<u>342,612</u>

Noncurrent assets:

Capital assets:

Construction in progress	<u>56,774</u>
Total noncurrent assets	<u>56,774</u>

Total assets	<u>399,386</u>
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LIABILITIES

Current liabilities:

Accounts payable	<u>18,648</u>
Total liabilities	<u>18,648</u>

NET ASSETS

Invested in capital assets	56,774
Unrestricted	<u>323,964</u>
Total net assets	<u>\$ 380,738</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 38
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2006

Operating revenues:	
Charges for services	\$ 20,978
Total operating revenues	<u>20,978</u>
Operating expenses:	
Maintenance - building and grounds	1,050
Office expense	846
Professional and specialized services	<u>5,977</u>
Total operating expenses	<u>7,873</u>
Operating income (loss)	<u>13,105</u>
Non-operating revenues (expenses):	
Investment earnings	<u>10,709</u>
Total non-operating revenues (expenses)	<u>10,709</u>
Change in net assets	23,814
Net assets - beginning	<u>356,924</u>
Net assets - ending	<u>\$ 380,738</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 38
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2006

Cash flows from operating activities:	
Cash received from users	\$ 21,788
Cash paid to suppliers	<u>10,776</u>
Net cash provided by (used in) operating activities	<u>32,564</u>
Cash flows from non-capital and related financing activities:	
Acquisition of capital assets	<u>(16,995)</u>
Net cash provided by (used in) investing activities	<u>(16,995)</u>
Cash flows from investing activities:	
Interest on investments	<u>9,517</u>
Net cash provided by (used in) investing activities	<u>9,517</u>
Net increase (decrease) in cash and cash equivalents	25,086
Cash and cash equivalents - beginning	<u>314,195</u>
Cash and cash equivalents - ending	<u>\$ 339,281</u>

**Reconciliation of Operating Income (Loss) to Net Cash
Provided by Operating Activities:**

Operating income (loss)	\$ 13,105
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
(Increase) decrease in accounts receivable	810
Increase (decrease) in accounts payable	<u>18,649</u>
Total adjustments	<u>19,459</u>
Net cash provided by (used in) operating activities	<u>\$ 32,564</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 38
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

County Service Area No. 38, a special district (District), is an enterprise fund of the County of Fresno (County), which is a political subdivision of the State of California. The function of the District is to provide a potable water system in the unincorporated areas of the County of Fresno, east of the City of Dos Palos. The Water Quality Improvement Joint Powers Authority (JPA) prepares and administers a budget for the general operation and maintenance of this water system. The rates charged by the District fund the services contracted for by the JPA.

Prior to July 1993, the City of Dos Palos was responsible for providing the District with secretarial staff, backflow device inspection, revenue account maintenance, and related support services on a cost reimbursement basis. On July 1, 1993, the City of Dos Palos notified the JPA that it would no longer provide the above services. The Citizens' Advisory Councils of the District requested the District to provide the necessary services. These services are funded by cash transfers (of unallocated revenues collected by the JPA) to the District.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

The District was formed in 1993 under the provisions of Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors. The District is not subject to federal or state income taxes. The District is a component unit of the County of Fresno.

The District itself does not employ any personnel. The Department of Public Works and Planning staff provides the necessary services such as maintenance and accounting to the District on a reimbursement basis.

B. Basis of Accounting

Pursuant to Governmental Accounting Standards Board (GASB) Standard No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary fund Accounting*, all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued before November 30, 1989, are applied to proprietary operations unless they conflict with GASB pronouncements. The District has elected not to apply FASB statements issued subsequent to November 30, 1989.

The District is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

COUNTY SERVICE AREA NO. 38
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting (Continued)

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the government body is that the cost and expenses of providing goods or services to its customers be financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Enterprise funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The District's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the District based on the ending cash balances in the County of Fresno Treasury.

2. Accounts Payable

Certain costs are incurred by the District during the current reporting period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. The District's current accounts payable balance of \$18,648 as of June 30, 2006, is related to certain contract services and payments for utility fees.

COUNTY SERVICE AREA NO. 38
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

3. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (not rounded) and an estimated useful life in excess of one year. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated or contributed fixed assets are recorded at their estimated fair value on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

4. Net Assets

Net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

5. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

COUNTY SERVICE AREA NO. 38
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

5. Property Taxes (Continued)

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIIIA (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

6. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2006, consist of the following:

Deposits with County of Fresno Treasurer	<u>\$ 339,281</u>
Total cash and cash equivalents	<u>\$ 339,281</u>

Cash and cash equivalents as of June 30, 2006, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	<u>\$ 339,281</u>
Total cash and cash equivalents	<u>\$ 339,281</u>

COUNTY SERVICE AREA NO. 38
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 2 – CASH AND CASH EQUIVALENTS (Continued)

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2006.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006, was as follows:

	July 1, 2005 Balance	Additions	Retirements	June 30, 2006 Balance
Capital assets not being depreciated:				
Construction in progress	\$ 39,779	\$ 16,995	\$ -	\$ 56,774
Total capital assets not being depreciated	39,779	16,995	-	56,774
Capital Assets, Net	<u>\$ 39,779</u>	<u>\$ 16,995</u>	<u>\$ -</u>	<u>\$ 56,774</u>

NOTE 4 – JOINT POWERS AGREEMENT (JPA)

The District has entered into a joint agreement with the County of Fresno and the City of Dos Palos to establish a common water supply and delivery system to be known as the "Dos Palos Area Water Quality Improvement System," to upgrade water quality in the geographic area with the boundaries of the entities.

The JPA assumes responsibility for the acquisition and ownership of assets, repayment of debt, operating revenue and expenses. The JPA may either perform services itself or contract the work to another entity.

The JPA is funded through the receipt of funds from the Farmers Home Association Grant and service fees paid by the users of the system provided. The grant award was contingent on the JPA setting up a county service area (No. 38).

Currently, the County of Fresno maintains District reserve accounts, provides for annual backflow device inspection, secretarial services and related support services, and prepares the budget for presentation to the Board of Supervisors on a cost reimbursement basis. The City of Dos Palos prepares the monthly billings, monitors accounts receivable and accounts payable as requested by the JPA. On a regular basis the JPA distributes revenue to the District for services rendered or to be rendered, from unallocated revenues collected by the JPA.

COUNTY SERVICE AREA NO. 38
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 5 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation, which is likely to have a material adverse affect on the financial position of the District.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended
June 30, 2007**

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

June 30, 2007

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 39 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 39, as of June 30, 2007, and the respective changes in financial position and cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 39 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
April 17, 2008

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2007

ASSETS

Current assets:

Cash and cash equivalents	\$ 39,239
Receivables:	
Accounts	13,571
Interest	<u>455</u>
Total current assets	<u>53,265</u>

Non-current assets:

Capital assets:

Machinery and equipment	1,115,384
Less: accumulated depreciation	<u>(808,653)</u>
Total noncurrent assets	<u>306,731</u>

Total assets	<u>359,996</u>
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LIABILITIES

Current liabilities:

Accounts payable	<u>7,914</u>
Total liabilities	<u>7,914</u>

NET ASSETS

Invested in capital assets	306,731
Unrestricted	<u>45,351</u>
Total net assets	<u>\$ 352,082</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2007

Operating revenues:	
Charges for services	\$ 70,082
Total operating revenues	<u>70,082</u>
Operating expenses:	
Insurance	1,159
General and administrative	1,308
Professional services	21,284
Repairs and maintenance	3,262
Special departmental expenses	2,731
Utilities	23,457
Depreciation	<u>55,769</u>
Total operating expenses	<u>108,970</u>
Operating income (loss)	<u>(38,888)</u>
Non-operating revenues (expenses):	
Investment earnings	<u>1,463</u>
Total non-operating revenues (expenses)	<u>1,463</u>
Change in net assets	(37,425)
Net assets - beginning	<u>389,507</u>
Net assets - ending	<u>\$ 352,082</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2007

Cash flows from operating activities:	
Cash received from users	\$ 67,813
Cash paid to suppliers	<u>(54,239)</u>
Net cash provided by (used in) operating activities	<u>13,574</u>
Cash flows from investing activities:	
Interest on investments	<u>1,245</u>
Net cash provided by (used in) investing activities	<u>1,245</u>
Net increase (decrease) in cash and cash equivalents	14,819
Cash and cash equivalents - beginning	<u>24,420</u>
Cash and cash equivalents - ending	<u>\$ 39,239</u>

**Reconciliation of Operating Income (Loss) to Net Cash
Provided by Operating Activities:**

Operating income (loss)	\$ (38,888)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	55,769
(Increase) decrease in accounts receivable	(2,269)
Increase (decrease) in accounts payable	<u>(1,038)</u>
Total adjustments	<u>52,462</u>
Net cash provided by (used in) operating activities	<u>\$ 13,574</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

County Service Area No. 39, a special district (District), is an enterprise fund of the County of Fresno (County), which is a political subdivision of the State of California. County Service Area was formed to provide domestic water service to two residential subdivisions west of the incorporated City of Fresno, near Valentine and Jensen Avenues. The District constructed a pipeline that continues to transfer water, purchased from the City of Fresno, to the residents of the District.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

The District was formed in 1990 under the provisions of Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors. The District is a component unit of the County of Fresno.

The District itself does not employ any personnel. The Department Public Works and Planning staff provides the necessary services such as maintenance, accounting, financial reporting, and auditing to the District on a reimbursement basis.

B. Basis of Accounting

Pursuant to Governmental Accounting Standards Board (GASB) Standard No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary fund Accounting*, all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued before November 30, 1989, are applied to proprietary operations unless they conflict with GASB pronouncements. The District has elected not to apply FASB statements issued subsequent to November 30, 1989.

The District is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the government body is that the cost and expenses of providing goods or services to its customers be financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting (Continued)

Enterprise funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The District's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the District based on the ending cash balances in the County of Fresno Treasury.

2. Accounts Receivable

The “direct write-off” method for accounts receivable was applied for accounts that had been established as uncollectible. As expense was recognized when an account was referred to the Revenue Reimbursement Division of the Auditor-Controller/Treasurer-Tax Collector and a Discharge of Accountability was received. The “direct write-off” method is not in compliance with generally accepted accounting principles, but the result was deemed immaterial to the financial statements as a whole. The District recorded a total of \$127 of allowance for uncollectible accounts during the period.

3. Accounts Payable

Certain costs are incurred by the District during the current reporting period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. The District's current accounts payable balance of \$7,914 as of June 30, 2007, is related to certain contract services and payments for utility fees.

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

4. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (not rounded) and an estimated useful life in excess of one year. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated or contributed fixed assets are recorded at their estimated fair value on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of buildings, plants, and machinery and equipment is computed using the straight-line method over the following estimated useful lives:

<u>Equipment Type</u>	<u>Useful Life</u>
Machinery and equipment	20 Years

5. Net Assets

Net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

6. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIIIA (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

7. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 2 — CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2007, consist of the following:

Deposits with County of Fresno Treasurer	<u>\$ 39,239</u>
Total cash and cash equivalents	<u>\$ 39,239</u>

Cash and cash equivalents as of June 30, 2007, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	<u>\$ 39,239</u>
Total cash and cash equivalents	<u>\$ 39,239</u>

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2007.

NOTE 3 — CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007, was as follows:

	July 1, 2006 Balance	Additions	Deletions	June 30, 2007 Balance
Capital assets being depreciated:				
Machinery and equipment	\$ 1,115,384	\$ -	\$ -	\$ 1,115,384
Total capital assets being depreciated	<u>1,115,384</u>	<u>-</u>	<u>-</u>	<u>1,115,384</u>
Less accumulated depreciation:				
Machinery and equipment	(752,884)	(55,769)	-	(808,653)
Total depreciation	<u>(752,884)</u>	<u>(55,769)</u>	<u>-</u>	<u>(808,653)</u>
Capital Assets, Net	<u>\$ 362,500</u>	<u>\$ (55,769)</u>	<u>\$ -</u>	<u>\$ 306,731</u>

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 4 — RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 5 — COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation which is likely to have a material adverse affect on the financial position of the District.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended
June 30, 2006**

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2006

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INDEPENDENT AUDITOR'S REPORT

Honorable Board of Supervisors
County of Fresno
2281 Tulare Street
Fresno, California 93721

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 39 (District), a component unit of the County of Fresno, as of and for the fiscal year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion 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 State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 39, as of June 30, 2006, and the respective changes in financial position and cash flows, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 39 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Price, Paige & Company
Clovis, California
May 24, 2007

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2006

ASSETS

Current assets:

Cash and cash equivalents	\$ 24,420
Receivables:	
Accounts	11,302
Interest	<u>237</u>
Total current assets	<u>35,959</u>

Non-current assets:

Capital assets:

Machinery and equipment	1,115,384
Less: accumulated depreciation	<u>(752,884)</u>
Total noncurrent assets	<u>362,500</u>

Total assets	<u>398,459</u>
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LIABILITIES

Current liabilities:

Accounts payable	<u>8,952</u>
Total liabilities	<u>8,952</u>

NET ASSETS

Invested in capital assets	362,500
Unrestricted	<u>27,007</u>
Total net assets	<u>\$ 389,507</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2006

Operating revenues:	
Charges for services	\$ 60,544
Total operating revenues	<u>60,544</u>
Operating expenses:	
Insurance	1,526
General and administrative	1,443
Professional services	24,810
Repairs and maintenance	6,473
Special departmental expenses	5,084
Utilities	24,174
Depreciation	<u>55,769</u>
Total operating expenses	<u>119,279</u>
Operating income (loss)	<u>(58,735)</u>
Non-operating revenues (expenses):	
Investment earnings	<u>1,098</u>
Total non-operating revenues (expenses)	<u>1,098</u>
Change in net assets	(57,637)
Net assets - beginning	<u>447,144</u>
Net assets - ending	<u>\$ 389,507</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2006

Cash flows from operating activities:	
Cash received from users	\$ 55,857
Cash paid to suppliers	<u>(62,769)</u>
Net cash provided by (used in) operating activities	<u>(6,912)</u>
Cash flows from investing activities:	
Interest on investments	<u>861</u>
Net cash provided by (used in) investing activities	<u>861</u>
Net increase (decrease) in cash and cash equivalents	(6,051)
Cash and cash equivalents - beginning	<u>30,471</u>
Cash and cash equivalents - ending	<u>\$ 24,420</u>

**Reconciliation of Operating Income (Loss) to Net Cash
Provided by Operating Activities:**

Operating income (loss)	\$ (58,735)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	55,769
(Increase) decrease in accounts receivable	(4,687)
(Increase) decrease in prepaid assets	591
Increase (decrease) in accounts payable	<u>150</u>
Total adjustments	<u>51,823</u>
Net cash provided by (used in) operating activities	<u>\$ (6,912)</u>

The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

A. Reporting Entity

County Service Area No. 39, a special district (District), is an enterprise fund of the County of Fresno (County), which is a political subdivision of the State of California. County Service Area was formed to provide domestic water service to two residential subdivisions west of the incorporated City of Fresno, near Valentine and Jensen Avenues. The District constructed a pipeline that continues to transfer water, purchased from the City of Fresno, to the residents of the District.

The District follows the standards promulgated by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. The District has not identified any entities which would be component units of the District.

The District was formed in 1990 under the provisions of Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors. The District is a component unit of the County of Fresno.

The District itself does not employ any personnel. The Department Public Works and Planning staff provides the necessary services such as maintenance, accounting, financial reporting, and auditing to the District on a reimbursement basis.

B. Basis of Accounting

Pursuant to Governmental Accounting Standards Board (GASB) Standard No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary fund Accounting*, all Financial Accounting Standards Board (FASB) statements and authoritative pronouncements issued before November 30, 1989, are applied to proprietary operations unless they conflict with GASB pronouncements. The District has elected not to apply FASB statements issued subsequent to November 30, 1989.

The District is a proprietary entity; it uses an enterprise fund format to report its activities for financial statement purposes. Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the government body is that the cost and expenses of providing goods or services to its customers be financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting (Continued)

Enterprise funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The District's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the District based on the ending cash balances in the County of Fresno Treasury.

2. Accounts Receivable

The "direct write-off" method for accounts receivable was applied for accounts that had been established as uncollectible. As expense was recognized when an account was referred to the Revenue Reimbursement Division of the Auditor-Controller/Treasurer-Tax Collector and a Discharge of Accountability was received. The "direct write-off" method is not in compliance with generally accepted accounting principles, but the result was deemed immaterial to the financial statements as a whole. The District recorded a total of \$1,979 of allowance for uncollectible accounts during the period.

3. Accounts Payable

Certain costs are incurred by the District during the current reporting period but are not paid until after the beginning of the next fiscal period. These costs are reported as payables in the financial statements. The District's current accounts payable balance of \$8,952 as of June 30, 2006, is related to certain contract services and payments for utility fees.

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

4. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (not rounded) and an estimated useful life in excess of one year. Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Donated or contributed fixed assets are recorded at their estimated fair value on the date received.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation of buildings, plants, and machinery and equipment is computed using the straight-line method over the following estimated useful lives:

<u>Equipment Type</u>	<u>Useful Life</u>
Machinery and equipment	20 Years

5. Net Assets

Net assets are reported in three categories as follows:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Net Assets (Continued)

6. Property Taxes

The District receives monies for service-type property assessments, which are levied on the properties within the area. Assessments for fees and services are based on the benefit derived by each parcel within the District.

County of Fresno is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the school and special districts within the County. The Board levies property taxes as September 1, on property values certified on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and delinquent with penalties after December 10, and the second is generally due on February 1 and delinquent with penalties after April 10. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

All jurisdictions within California derive their taxing authority from the State Constitution and various legislative provisions contained in the State Government Codes and Revenue and Taxation Codes. Pursuant to Article CIIIA (known as Proposition 13) of the State of California Constitutions, the County is permitted to levy a maximum tax of 1 percent of full cash value.

Teeter Plan – County of Fresno elected the alternative property tax treatment (Teeter Plan) effective July 1, 1993, whereby the County purchases the current secured unpaid taxes remaining at year-end from participating agencies. In return, the County records tax receivable and receives the delinquent penalties and redemption interest accruing to delinquent collections related to participating agencies. The participating agencies, including special districts and school districts, in turn, receive their full tax distribution with no liability for uncollected taxes to the County. Therefore, for participating agencies, revenue is measurable and available and is recorded in the period the payment of current secured unpaid taxes is received. The District is a participant of the Teeter Plan.

7. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 2—CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2006, consist of the following:

Deposits with County of Fresno Treasurer	<u>\$ 24,420</u>
Total cash and cash equivalents	<u>\$ 24,420</u>

Cash and cash equivalents as of June 30, 2006, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	<u>\$ 24,420</u>
Total cash and cash equivalents	<u>\$ 24,420</u>

Investment in County Treasury

The District is considered to be a voluntary participant in an external investment pool. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. Cash in the County Treasury is considered unclassified as to credit risk because it is not evidenced by securities that exist in physical or book entry form.

The District does not have any deposits with financial institutions as of June 30, 2006.

NOTE 3—CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006, was as follows:

	July 1, 2005 Balance	Additions	Deletions	June 30, 2006 Balance
Capital assets being depreciated:				
Machinery and equipment	\$ 1,115,384	\$ -	\$ -	\$ 1,115,384
Total capital assets being depreciated	<u>1,115,384</u>	<u>-</u>	<u>-</u>	<u>1,115,384</u>
Less accumulated depreciation:				
Machinery and equipment	(697,115)	(55,769)	-	(752,884)
Total depreciation	<u>(697,115)</u>	<u>(55,769)</u>	<u>-</u>	<u>(752,884)</u>
Capital Assets, Net	<u>\$ 418,269</u>	<u>\$ (55,769)</u>	<u>\$ -</u>	<u>\$ 362,500</u>

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 4—RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The District provides coverage for these losses through commercial insurance policies and/or through participation in the County of Fresno's Self-Insurance Program. Refer to County of Fresno CAFR for additional information.

NOTE 5—COMMITMENTS AND CONTINGENCIES

Commitments and contingencies, undeterminable in amount, include normal recurring pending claims and litigation. In the opinion of management, based upon discussion with legal counsel, there is no pending litigation, which is likely to have a material adverse affect on the financial position of the District.