

**COUNTY SERVICE AREA NO. 43
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. 43
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. 43 (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. 43, 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. 43 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. 43
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2007

ASSETS

Cash	\$ 4,491
Interest receivable	59
Accounts receivable	2,765
Capital assets, net of accumulated depreciation	<u>1,029,038</u>
Total assets	<u>1,036,353</u>

LIABILITIES

Accounts payable	<u>2,266</u>
Total liabilities	<u>2,266</u>

NET ASSETS

Invested in capital assets	1,029,038
Unrestricted	<u>5,049</u>
Total net assets	<u><u>\$ 1,034,087</u></u>

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

COUNTY SERVICE AREA NO. 43
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	\$ 25,748
Total program expenses	<u>25,748</u>

Program revenues:

Charges for services	<u>11,724</u>
Net program expense	<u>(14,024)</u>

General revenues:

Property taxes	3,151
Unrestricted investment earnings	232
Miscellaneous	49
Capital contribution	<u>964,797</u>
Total general revenues	<u>968,229</u>

Change in net assets	954,205
Net assets - beginning	<u>79,882</u>
Net assets - ending	<u><u>\$ 1,034,087</u></u>

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

COUNTY SERVICE AREA NO. 43
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

ASSETS

Cash and cash equivalents	\$ 4,491
Accounts receivable	2,765
Interest receivable	<u>59</u>
Total assets	<u><u>\$ 7,315</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ 2,266
Total liabilities	<u>2,266</u>

Fund balance:

Unreserved	<u>5,049</u>
Total fund balance	<u>5,049</u>

Total liabilities and fund balance	<u><u>\$ 7,315</u></u>
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The notes to the financial statements are an integral part of this statement.

SERVICE AREA NO. 43
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	\$ 5,049
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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 state statement to conform with GAAP
accounting requirements.

<u>1,029,038</u>

Net assets for governmental activity

<u>\$ 1,034,087</u>

COUNTY SERVICE AREA NO. 43
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	\$ 3,151
Aid from other governmental agencies:	
State	49
Service-type property assessments	11,724
Interest	232
Total revenues	<u>15,156</u>
Expenditures:	
Current:	
Public ways and facilities:	
Maintenance - building/grounds	4,911
Office expense	7
Professional services	4,376
Utilities	2,812
Capital outlay	964,797
Total expenditures	<u>976,903</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(961,747)</u>
Other financing sources (uses):	
Capital contribution	<u>964,797</u>
Total other financing sources (uses)	<u>964,797</u>
Changes in fund balance	3,050
Fund balance - beginning	<u>1,999</u>
Fund balance - ending	<u>\$ 5,049</u>

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

COUNTY SERVICE AREA NO. 43
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 THE GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**
For the Year Ended June 30, 2007

Net changes in fund balance - governmental funds	\$	3,050
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Amounts reported for governmental activity 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 \$13,642. There were no capital asset
additions in the current period.

		<u>951,155</u>
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Change in net assets of governmental activity	\$	<u>954,205</u>
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COUNTY SERVICE AREA NO. 43
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	\$ 139	\$ (5,861)	\$ 3,596	\$ 9,457
Resources (inflows):				
Taxes	2,715	2,715	3,152	437
Use of money and property	450	450	109	(341)
Charges for current services	37,597	37,597	8,959	(28,638)
Other revenues	-	-	49	49
Amounts available for appropriation	<u>40,762</u>	<u>40,762</u>	<u>12,269</u>	<u>(28,493)</u>
Charges to Appropriations (outflows):				
Public ways and facilities:				
Service and supplies	39,545	39,545	10,898	28,647
Contingencies	<u>3,400</u>	<u>3,400</u>	-	<u>3,400</u>
Total charges to appropriations	<u>42,945</u>	<u>42,945</u>	<u>10,898</u>	<u>32,047</u>
Budgetary Fund Balance - June 30, 2007	<u>\$ (2,044)</u>	<u>\$ (8,044)</u>	<u>\$ 4,967</u>	<u>\$ 13,011</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	\$ 12,269
Differences - budget to GAAP	<u>2,887</u>
Total revenues as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 15,156</u>

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 10,898
Differences - budget to GAAP	<u>966,005</u>
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 976,903</u>

COUNTY SERVICE AREA NO. 43
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. 43, 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 1970 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 formed to provide street lighting and community park maintenance in the unincorporated community of Raisin City. Park maintenance prior to 1989 was provided by the Raisin City Park and Recreation District. In 1993, a request was made by community residents to sell the park. Property owners were to have been petitioned concerning disposition of the park, but this was not completed due to staff reductions. Later, a petition to sell was presented to the Local Area Formation Commission, but was rejected. The State of California Department of Parks & Recreation has indicated that the District is obligated to provide minimal maintenance at the park in order to maintain a safe and secure environment. 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. 43
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. 43.

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. 43
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. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column 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>Type of Asset</u>	<u>Estimated Useful Lives in Years</u>
Land improvements	25
Buildings and improvements	40-50
Equipment	3-15
Water System	50

COUNTY SERVICE AREA NO. 43
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. 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.”

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.

COUNTY SERVICE AREA NO. 43
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 (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.

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.

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. 43
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>\$ 4,491</u>
Total cash and cash equivalents	<u>\$ 4,491</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>\$ 4,491</u>
Total cash and cash equivalents	<u>\$ 4,491</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. 43
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				
Land improvements	\$ 109,778	\$ -	\$ -	\$ 109,778
Water system	-	964,797	-	964,797
Total capital assets, being depreciated	<u>109,778</u>	<u>964,797</u>	<u>-</u>	<u>1,074,575</u>
Less accumulated depreciation				
Land improvements	(31,895)	(13,642)	-	(45,537)
Total accumulated depreciation	<u>(31,895)</u>	<u>(13,642)</u>	<u>-</u>	<u>(45,537)</u>
Capital Assets, Net	<u>\$ 77,883</u>	<u>\$ 951,155</u>	<u>\$ -</u>	<u>\$ 1,029,038</u>

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

Public Ways and Facilities	\$ 13,642
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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. 43
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. 43
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. 43 (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. 43, 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. 43 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. 43
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2006

ASSETS

Cash	\$ 3,162
Interest receivable	42
Capital assets, net of accumulated depreciation	
Land improvements	<u>77,883</u>
Total assets	<u>81,087</u>

LIABILITIES

Accounts payable	<u>1,205</u>
Total liabilities	<u>1,205</u>

NET ASSETS

Invested in capital assets	77,883
Unrestricted	<u>1,999</u>
Total net assets	<u>\$ 79,882</u>

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

COUNTY SERVICE AREA NO. 43
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	\$ 20,262
Total program expenses	<u>20,262</u>

Program revenues:

Charges for services	<u>8,553</u>
Net program expense	<u>(11,709)</u>

General revenues:

Property taxes	3,061
Unrestricted investment earnings	103
Miscellaneous	<u>58</u>
Total general revenues	<u>3,222</u>

Change in net assets	(8,487)
Net assets - beginning	<u>88,369</u>
Net assets - ending	<u>\$ 79,882</u>

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

COUNTY SERVICE AREA NO. 43
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

ASSETS

Cash and cash equivalents	\$ 3,162
Interest receivable	<u>42</u>
Total assets	<u>\$ 3,204</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ 1,205
Total liabilities	<u>1,205</u>

Fund Balance:	
Unreserved	<u>1,999</u>
Total fund balance	<u>1,999</u>

Total liabilities and fund balance	<u>\$ 3,204</u>
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The notes to the financial statements are an integral part of this statement.

COUNTY SERVICE AREA NO. 43
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	\$ 1,999
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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 state statement to conform with GAAP accounting requirements.

77,883

Net assets for governmental activity

\$ 79,882

COUNTY SERVICE AREA NO. 43
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	\$ 3,061
Aid from other governmental agencies:	
State	57
Federal	1
Service type property assessments	8,553
Interest	103
Total revenues	<u>11,775</u>
Expenditures:	
Current:	
Maintenance - building/grounds	4,794
Office expense	190
Professional services	8,538
Utilities	2,746
Total expenditures	<u>16,268</u>
Changes in fund balance	(4,493)
Fund balance - beginning	<u>6,492</u>
Fund balance - ending	<u>\$ 1,999</u>

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

COUNTY SERVICE AREA NO. 43
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 THE GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

Net changes in fund balance - governmental funds	\$ (4,493)
--	------------

Amounts reported for governmental activity 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 \$3,994. There were no capital asset additions in the current period.

<u>(3,994)</u>

Change in net assets of governmental activity	\$ <u>(8,487)</u>
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COUNTY SERVICE AREA NO. 43
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	\$ -	\$ -	\$ 7,905	\$ 7,905
Resources (inflows):				
Taxes	2,418	2,418	3,062	644
Use of money and property	319	319	167	(152)
Charges for current services	8,562	8,562	8,553	(9)
Other revenues	-	-	58	58
Amounts available for appropriation	<u>11,299</u>	<u>11,299</u>	<u>11,840</u>	<u>541</u>
Charges to Appropriations (outflows):				
Public ways and facilities:				
Service and supplies	11,160	17,160	16,149	1,011
Contingencies	-	-	-	-
Total charges to appropriations	<u>11,160</u>	<u>17,160</u>	<u>16,149</u>	<u>1,011</u>
Budgetary Fund Balance - June 30, 2006	<u>\$ 139</u>	<u>\$ (5,861)</u>	<u>\$ 3,596</u>	<u>\$ 9,457</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	\$ 11,840
Differences - budget to GAAP	<u>(65)</u>
Total revenues as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 11,775</u>

Uses/Outflows of Resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 16,149
Differences - budget to GAAP	<u>119</u>
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 16,268</u>

COUNTY SERVICE AREA NO. 43
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. 43, 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 1970 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 formed to provide street lighting and community park maintenance in the unincorporated community of Raisin City. Park maintenance prior to 1989 was provided by the Raisin City Park and Recreation District. In 1993, a request was made by community residents to sell the park. Property owners were to have been petitioned concerning disposition of the park, but this was not completed due to staff reductions. Later, a petition to sell was presented to the Local Area Formation Commission, but was rejected. The State of California Department of Parks & Recreation has indicated that the District is obligated to provide minimal maintenance at the park in order to maintain a safe and secure environment. 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. 43
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. 43.

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. 43
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. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column 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>Type of Asset</u>	<u>Estimated Useful Lives in Years</u>
Land improvements	20
Buildings and improvements	40-50
Equipment	3-15

The County of Fresno has received funding from a Community Development Building Grant and a Safe Drinking Water State Revolving Fund Grant for the construction of a water system in CSA 43. The new water system allows the District to provide domestic water services in the community. Total cost to construct the water system is expected to be around \$700,000. Construction of the water system began at end of the current fiscal year and estimated completion date for the project is June 2007. The County of Fresno will transfer the water system to the District once the construction of the water system is complete.

COUNTY SERVICE AREA NO. 43
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. 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.”

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.

COUNTY SERVICE AREA NO. 43
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 (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.

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.

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. 43
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>\$ 3,162</u>
Total cash and cash equivalents	<u>\$ 3,162</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>\$ 3,162</u>
Total cash and cash equivalents	<u>\$ 3,162</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:

	<u>Balance</u> <u>June 30, 2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2006</u>
Capital assets, being depreciated				
Land improvements	\$ 109,778	\$ -	\$ -	\$ 109,778
Total capital assets, being depreciated	<u>109,778</u>	<u>-</u>	<u>-</u>	<u>109,778</u>
Less accumulated depreciation				
Land Improvements	<u>(27,901)</u>	<u>(3,994)</u>	<u>-</u>	<u>(31,895)</u>
Total accumulated depreciation	<u>(27,901)</u>	<u>(3,994)</u>	<u>-</u>	<u>(31,895)</u>
Capital Assets, Net	<u>\$ 81,877</u>	<u>\$ (3,994)</u>	<u>\$ -</u>	<u>\$ 77,883</u>

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

Public Ways and Facilities	\$ 3,994
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COUNTY SERVICE AREA NO. 43
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. 44
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. 44
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. 44 (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. 44, 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. 44 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. 44
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 64,528	\$ 101,962	\$ 166,490
Receivables:			
Accounts	19	50,014	50,033
Interest	764	1,152	1,916
Capital assets, net of accumulated depreciation:			
Structures and improvements	-	153,709	153,709
Machinery and equipment	-	536	536
Total assets	<u>65,311</u>	<u>307,373</u>	<u>372,684</u>
LIABILITIES			
Accounts payable	<u>443</u>	<u>32,213</u>	<u>32,656</u>
Total liabilities	<u>443</u>	<u>32,213</u>	<u>32,656</u>
NET ASSETS			
Invested in capital assets	-	154,245	154,245
Unrestricted	<u>64,868</u>	<u>120,915</u>	<u>185,783</u>
Total net assets	<u>\$ 64,868</u>	<u>\$ 275,160</u>	<u>\$ 340,028</u>

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

COUNTY SERVICE AREA NO. 44
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

		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	\$ 4,834	\$ 330	\$ (4,504)	\$ -	\$ (4,504)
Total governmental activities	<u>4,834</u>	<u>330</u>	<u>(4,504)</u>	<u>-</u>	<u>(4,504)</u>
Business Activities:					
Water and sewer	<u>300,573</u>	<u>320,770</u>	<u>-</u>	<u>20,197</u>	<u>20,197</u>
Total business-type activities	<u>300,573</u>	<u>320,770</u>	<u>-</u>	<u>20,197</u>	<u>20,197</u>
Total primary government	<u>\$ 305,407</u>	<u>\$ 321,100</u>	<u>(4,504)</u>	<u>20,197</u>	<u>15,693</u>
General Revenues:					
Property taxes			12,300	-	12,300
Unrestricted investment earnings			2,772	3,516	6,288
Miscellaneous			<u>173</u>	<u>-</u>	<u>173</u>
Total general revenues			<u>15,245</u>	<u>3,516</u>	<u>18,761</u>
Change in net assets			10,741	23,713	34,454
Net assets - beginning			<u>54,127</u>	<u>251,447</u>	<u>305,574</u>
Net assets - ending			<u>\$ 64,868</u>	<u>\$ 275,160</u>	<u>\$ 340,028</u>

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

COUNTY SERVICE AREA NO. 44
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2007

ASSETS

Cash and cash equivalents	\$ 64,528
Accounts receivable	19
Interest receivable	<u>764</u>
Total assets	<u>\$ 65,311</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ <u>443</u>
Total liabilities	<u>443</u>
Fund balance:	
Unreserved	<u>64,868</u>
Total fund balance	<u>64,868</u>
Total liabilities and fund balance	<u>\$ 65,311</u>

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

COUNTY SERVICE AREA NO. 44
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	\$ 64,868
Amounts reported for governmental activities in the statement of net assets are different because:	
Adjustments - modified accrual to full accrual	<u>-</u>
Net assets of governmental activities	<u><u>\$ 64,868</u></u>

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

COUNTY SERVICE AREA NO. 44
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:	
Taxes	\$ 12,300
Investment earnings	2,772
Aid from other governmental agencies:	
State	171
Federal	2
Charges for services	<u>330</u>
Total revenues	<u>15,575</u>
Expenditures:	
Current:	
Public ways and facilities:	
PeopleSoft financials charge	187
Professional and specialized services	1,189
Utilities	<u>3,458</u>
Total expenditures	<u>4,834</u>
Changes in fund balance	10,741
Fund balance - beginning	<u>54,127</u>
Fund balance - ending	<u>\$ 64,868</u>

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

COUNTY SERVICE AREA NO. 44
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	\$ 10,741
Amounts reported for governmental activities in the statement of activities are different because:	
Adjustments - modified accrual to full accrual	<u>-</u>
Change in net assets of governmental activities	<u>\$ 10,741</u>

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

COUNTY SERVICE AREA NO. 44
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BUDGETARY 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	\$ 44,554	\$ 42,287	\$ 53,486	\$ 11,199
Resources (inflows):				
Taxes	4,800	4,800	12,299	7,499
Use of money and property	1,000	1,000	2,506	1,506
Intergovernmental revenues	-	-	172	172
Charges for current services	338	338	330	(8)
Amounts available for appropriations	<u>6,138</u>	<u>6,138</u>	<u>15,307</u>	<u>9,169</u>
Charges to Appropriations (outflows):				
Public Ways and Facilities:				
Services and supplies	5,515	5,515	4,824	691
Contingencies	552	552	-	552
Total charges to appropriations	<u>6,067</u>	<u>6,067</u>	<u>4,824</u>	<u>1,243</u>
Budgetary Fund Balance - June 30, 2007	<u>\$ 44,625</u>	<u>\$ 42,358</u>	<u>\$ 63,969</u>	<u>\$ 21,611</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	\$ 15,307
Differences - budget to GAAP	
Modified accrual basis accounting to budgetary basid of accounting	<u>268</u>
Total revenues as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 15,575</u>

Uses/outflows of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 4,824
Differences - budget to GAAP	
Modified accrual basis accounting to budgetary basid of accounting	<u>10</u>
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 4,834</u>

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

COUNTY SERVICE AREA NO. 44
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	\$ 101,962
Receivables:	
Accounts	50,014
Interest	<u>1,152</u>
Total current assets	<u>153,128</u>

Noncurrent assets:

Capital assets:

Structures and improvements	236,180
Machinery and equipment	9,357
Less: accumulated depreciation	<u>(91,292)</u>
Total noncurrent assets	<u>154,245</u>

Total assets	<u>307,373</u>
--------------	----------------

LIABILITIES

Current liabilities:

Accounts payable	<u>32,213</u>
Total liabilities	<u>32,213</u>

NET ASSETS

Invested in capital assets	154,245
Unrestricted	<u>120,915</u>
Total net assets	<u>\$ 275,160</u>

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

COUNTY SERVICE AREA NO. 44
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	\$ 266,334
Other operating revenues	<u>54,436</u>
Total operating revenues	<u>320,770</u>
Operating expenses:	
Insurance	3,602
Professional services	137,640
Special departmental	7,714
General and administrative	12,516
Repairs and maintenance	68,502
Utilities	64,916
Depreciation	<u>5,683</u>
Total operating expenses	<u>300,573</u>
Operating income (loss)	<u>20,197</u>
Non-operating revenues (expenses):	
Investment earnings	<u>3,517</u>
Total non-operating revenues (expenses)	<u>3,517</u>
Change in net assets	23,714
Net assets - beginning	<u>251,446</u>
Net assets - ending	<u>\$ 275,160</u>

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

COUNTY SERVICE AREA NO. 44
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	\$ 264,001
Cash paid to suppliers	(294,758)
Other operating receipts	<u>54,436</u>
Net cash provided by (used in) operating activities	<u>23,679</u>
Cash flows from investing activities:	
Interest on investments	<u>3,016</u>
Net cash provided by (used in) investing activities	<u>3,016</u>
Net increase (decrease) in cash and cash equivalents	26,695
Cash and cash equivalents - beginning	<u>75,267</u>
Cash and cash equivalents - ending	<u><u>\$ 101,962</u></u>

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

Operating income (loss)	\$ 20,197
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	5,683
Decrease (increase) in accounts receivable	(2,333)
Increase (decrease) in accounts payable	<u>132</u>
Total adjustments	<u>3,482</u>
Net cash provided by (used in) operating activities	<u><u>\$ 23,679</u></u>

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

COUNTY SERVICE AREA NO. 44
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. 44 is a special revenue fund, and County Service Area No. 44 Zone A, Zone C and Zone D are enterprise funds of the County of Fresno (County), which are political subdivisions 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.

County Service Area No. 44 was formed in 1992 to provide street lighting to the community of Friant. County Service Area No. 44 Zone A was formed in 1992 to take over operations of the sewer treatment facility at the Millerton Lake Home Village. County Service Area No. 44 Zone C was formed in 1999 to provide water service to the River View Subdivision in the Friant area. County Service Area No. 44 Zone D was formed in 1999 to provide water and sewer services to the Monte Verdi Subdivision in the Friant area. All four funds were formed under the provision of the Government Code Section 25210.1 et. seq. The District is governed by the County of Fresno Board of Supervisors (Board). 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.

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.

COUNTY SERVICE AREA NO. 44
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 (Continued)

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.

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.

COUNTY SERVICE AREA NO. 44
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)

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 County Service Area No. 31.

The District reports the following major proprietary funds:

The *enterprise fund* accounts for those operations that provide services to the public. This type of fund is used to account for the financial activities of County Service Area No. 44 Zone A, Zone C and Zone D.

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

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.

COUNTY SERVICE AREA NO. 44
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. 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 \$32,656 as of June 30, 2007, is related to certain contract services and payments for utility fees.

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>Buildings and Improvements</u>	<u>Useful Life</u>
Sanitary sewer and treatment plant	40 Years
Water wells and distribution	45 Years
 <u>Equipment</u>	 <u>Useful Life</u>
Pumps, motor and tank	15 Years

COUNTY SERVICE AREA NO. 44
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. 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.”

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.

COUNTY SERVICE AREA NO. 44
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)

6. 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.

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.

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. 44
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>\$ 166,490</u>
Total cash and cash equivalents	<u>\$ 166,490</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>\$ 166,490</u>
Total cash and cash equivalents	<u>\$ 166,490</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 — 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
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated:				
Structures and improvements	\$ 236,180	\$ -	\$ -	\$ 236,180
Machinery and equipment	9,357	-	-	9,357
Total capital assets being depreciated	<u>245,537</u>	<u>-</u>	<u>-</u>	<u>245,537</u>
Less accumulated depreciation:				
Structures and improvements	(76,912)	(5,559)	-	(82,471)
Machinery and equipment	(8,697)	(124)	-	(8,821)
Total accumulated depreciation	<u>(85,609)</u>	<u>(5,683)</u>	<u>-</u>	<u>(91,292)</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 159,928</u>	<u>\$ (5,683)</u>	<u>\$ -</u>	<u>\$ 154,245</u>

COUNTY SERVICE AREA NO. 44
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 (Continued)

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

Business-type activities:	
Water and sewer	\$ 5,683

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. 44
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. 44
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. 44 (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. 44, 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. 44 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. 44
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 53,776	\$ 75,267	\$ 129,043
Receivables:			
Accounts	-	47,681	47,681
Interest	517	652	1,169
Capital assets, net of accumulated depreciation:			
Structures and improvements	-	159,268	159,268
Machinery and equipment	-	660	660
Total assets	<u>54,293</u>	<u>283,528</u>	<u>337,821</u>
LIABILITIES			
Accounts payable	<u>166</u>	<u>32,081</u>	<u>32,247</u>
Total liabilities	<u>166</u>	<u>32,081</u>	<u>32,247</u>
NET ASSETS			
Invested in capital assets	-	159,928	159,928
Unrestricted	<u>54,127</u>	<u>91,519</u>	<u>145,646</u>
Total net assets	<u>\$ 54,127</u>	<u>\$ 251,447</u>	<u>\$ 305,574</u>

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

COUNTY SERVICE AREA NO. 44
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

	Expenses	Program Revenues Charges for Services	Net (Expenses) Revenues and Changes in Net Assets		
			Primary Government		Total
			Governmental Activities	Business-type Activities	
Functions/Programs					
<u>Primary Government</u>					
Governmental Activities:					
Public ways and facilities	\$ 6,050	\$ 325	\$ (5,725)	\$ -	\$ (5,725)
Total governmental activities	6,050	325	(5,725)	-	(5,725)
Business Activities:					
Water and sewer	291,989	304,452	-	12,463	12,463
Total business-type activities	291,989	304,452	-	12,463	12,463
Total primary government	\$ 298,039	\$ 304,777	(5,725)	12,463	6,738
General Revenues:					
Property taxes			7,546	-	7,546
Unrestricted investment earnings			2,052	2,386	4,438
Miscellaneous			165	-	165
Total general revenues			9,763	2,386	12,149
Change in net assets			4,038	14,849	18,887
Net assets - beginning			50,089	236,598	286,687
Net assets - ending			\$ 54,127	\$ 251,447	\$ 305,574

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

COUNTY SERVICE AREA NO. 44
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2006

ASSETS

Cash and cash equivalents	\$ 53,776
Interest receivable	<u>517</u>
Total assets	<u><u>\$ 54,293</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	<u>\$ 166</u>
Total liabilities	<u>166</u>

Fund Balance:	
Unreserved	<u>54,127</u>
Total fund balance	<u>54,127</u>

Total liabilities and fund balance	<u><u>\$ 54,293</u></u>
------------------------------------	-------------------------

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

COUNTY SERVICE AREA NO. 44
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	\$ 54,127
Amounts reported for governmental activities in the statement of net assets are different because:	
Adjustments - modified accrual to full accrual	<u>-</u>
Net assets of governmental activity	<u>\$ 54,127</u>

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

COUNTY SERVICE AREA NO. 44
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:	
Taxes	\$ 7,546
Investment earnings	2,052
Aid from other governmental agencies:	
State	163
Federal	2
Charges for services	<u>325</u>
Total revenues	<u>10,088</u>
Expenditures:	
Current:	
Public ways and facilities:	
PeopleSoft financials charge	285
Professional and specialized services	3,123
Utilities	<u>2,642</u>
Total expenditures	<u>6,050</u>
Changes in fund balance	4,038
Fund balance - beginning	<u>50,089</u>
Fund balance - ending	<u>\$ 54,127</u>

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

COUNTY SERVICE AREA NO. 44
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	\$ 4,038
Amounts reported for governmental activities in the statement of activities are different because:	
Adjustments - modified accrual to full accrual	<u>-</u>
Change in net assets of governmental activities	<u>\$ 4,038</u>

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

COUNTY SERVICE AREA NO. 44
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	\$ 47,219	\$ 47,219	\$ 49,931	\$ 2,712
Resources (inflows):				
Taxes	1,605	1,605	7,546	5,941
Use of money and property	870	870	1,534	664
Intergovernmental revenues	-	-	165	165
Charges for current services	338	338	325	(13)
Amounts available for appropriations	<u>2,813</u>	<u>2,813</u>	<u>9,570</u>	<u>6,757</u>
Charges to Appropriations (outflows):				
Public Ways and Facilities:				
Services and supplies	4,980	7,480	5,750	1,730
Contingencies	498	265	265	-
Total charges to appropriations	<u>5,478</u>	<u>7,745</u>	<u>6,015</u>	<u>1,730</u>
Budgetary Fund Balance - June 30, 2006	<u>\$ 44,554</u>	<u>\$ 42,287</u>	<u>\$ 53,486</u>	<u>\$ 11,199</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	\$ 9,570
Differences - budget to GAAP	
Modified accrual basis accounting to budgetary basis of accounting	<u>518</u>
Total revenues as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 10,088</u>

Uses/outflows of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 6,015
Differences - budget to GAAP	
Modified accrual basis accounting to budgetary basis of accounting	<u>35</u>
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 6,050</u>

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

COUNTY SERVICE AREA NO. 44
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	\$ 75,267
Receivables:	
Accounts	47,681
Interest	<u>652</u>
Total current assets	<u>123,600</u>

Noncurrent assets:

Capital assets:

Structures and improvements	236,180
Machinery and equipment	9,357
Less: accumulated depreciation	<u>(85,609)</u>
Total noncurrent assets	<u>159,928</u>

Total assets	<u>283,528</u>
--------------	----------------

LIABILITIES

Current liabilities:

Accounts payable	<u>32,081</u>
Total liabilities	<u>32,081</u>

NET ASSETS

Invested in capital assets	159,928
Unrestricted	<u>91,519</u>
Total net assets	<u>\$ 251,447</u>

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

COUNTY SERVICE AREA NO. 44
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	\$ 261,947
Other operating revenues	<u>42,505</u>
Total operating revenues	<u>304,452</u>
Operating expenses:	
Insurance	3,519
Professional services	134,566
Special departmental	4,098
General and administrative	8,101
Repairs and maintenance	74,159
Utilities	61,863
Depreciation	<u>5,683</u>
Total operating expenses	<u>291,989</u>
Operating income (loss)	<u>12,463</u>
Non-operating revenues (expenses):	
Investment earnings	<u>2,386</u>
Total non-operating revenues (expenses)	<u>2,386</u>
Change in net assets	14,849
Net assets - beginning	<u>236,598</u>
Net assets - ending	<u>\$ 251,447</u>

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

COUNTY SERVICE AREA NO. 44
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	\$ 254,849
Cash paid to suppliers	(289,512)
Other operating receipts	<u>42,505</u>
Net cash provided by (used in) operating activities	<u>7,842</u>
Cash flows from investing activities:	
Interest on investments	<u>1,734</u>
Net cash provided by (used in) investing activities	<u>1,734</u>
Net increase (decrease) in cash and cash equivalents	9,576
Cash and cash equivalents - beginning	<u>65,691</u>
Cash and cash equivalents - ending	<u>\$ 75,267</u>

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

Operating income (loss)	\$ 12,463
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	5,683
Decrease (increase) in accounts receivable	(7,098)
Decrease (increase) in prepaid expense	1,279
Increase (decrease) in accounts payable	<u>(4,485)</u>
Total adjustments	<u>(4,621)</u>
Net cash provided by (used in) operating activities	<u>\$ 7,842</u>

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

COUNTY SERVICE AREA NO. 44
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. 44 is a special revenue fund, and County Service Area No. 44 Zone A, Zone C and Zone D are enterprise funds of the County of Fresno (County), which are political subdivisions 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.

County Service Area No. 44 was formed in 1992 to provide street lighting to the community of Friant. County Service Area No. 44 Zone A was formed in 1992 to take over operations of the sewer treatment facility at the Millerton Lake Home Village. County Service Area No. 44 Zone C was formed in 1999 to provide water service to the River View Subdivision in the Friant area. County Service Area No. 44 Zone D was formed in 1999 to provide water and sewer services to the Monte Verdi Subdivision in the Friant area. All four funds were formed under the provision of the Government Code Section 25210.1 et. seq. The District is governed by the County of Fresno Board of Supervisors (Board). 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.

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.

COUNTY SERVICE AREA NO. 44
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 (Continued)

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.

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.

COUNTY SERVICE AREA NO. 44
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)

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 County Service Area No. 31.

The District reports the following major proprietary funds:

The *enterprise fund* accounts for those operations that provide services to the public. This type of fund is used to account for the financial activities of County Service Area No. 44 Zone A, Zone C and Zone D.

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

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.

COUNTY SERVICE AREA NO. 44
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. 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 \$32,247 as of June 30, 2006, is related to certain contract services and payments for utility fees.

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>Buildings and Improvements</u>	<u>Useful Life</u>
Sanitary sewer and treatment plant	40 Years
Water wells and distribution	45 Years
<u>Equipment</u>	<u>Useful Life</u>
Pumps, motor and tank	15 Years

COUNTY SERVICE AREA NO. 44
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. 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.”

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.

COUNTY SERVICE AREA NO. 44
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)

6. 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.

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.

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. 44
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>\$ 129,043</u>
Total cash and cash equivalents	<u>\$ 129,043</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>\$ 129,043</u>
Total cash and cash equivalents	<u>\$ 129,043</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
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated:				
Structures and improvements	\$ 236,180	\$ -	\$ -	\$ 236,180
Machinery and equipment	9,357	-	-	9,357
Total capital assets being depreciated	<u>245,537</u>	<u>-</u>	<u>-</u>	<u>245,537</u>
Less accumulated depreciation:				
Structures and improvements	(71,353)	(5,559)	-	(76,912)
Machinery and equipment	(8,573)	(124)	-	(8,697)
Total accumulated depreciation	<u>(79,926)</u>	<u>(5,683)</u>	<u>-</u>	<u>(85,609)</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 165,611</u>	<u>\$ (5,683)</u>	<u>\$ -</u>	<u>\$ 159,928</u>

COUNTY SERVICE AREA NO. 44
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 (Continued)

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

Business-type activities:	
Water and sewer	\$ 5,683

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. 47
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. 47
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. 47 (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. 47 of County of Fresno, California, 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. 47 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. 47
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	\$ 73,365
Receivables:	
Accounts, net	107,941
Interest	<u>8,265</u>
Total current assets	<u>189,571</u>

Noncurrent assets:

Restricted cash and investments	1,083,654
Deferred bond issuance costs	199,839
Capital assets:	
Depreciable:	
Structures and improvements	4,466,512
Less: accumulated depreciation	<u>(976,043)</u>
Total noncurrent assets	<u>4,773,962</u>
Total assets	<u>4,963,533</u>

LIABILITIES

Current liabilities:

Accounts payable	80,422
Interest payable	103,798
General obligation bond payable	<u>110,000</u>
Total current liabilities	<u>294,220</u>

Noncurrent liabilities:

General obligation bond payable	<u>4,580,000</u>
Total noncurrent liabilities	<u>4,580,000</u>
Total liabilities	<u>4,874,220</u>

NET ASSETS

Invested in capital assets, net of related debt	(1,199,531)
Restricted for debt service	1,083,654
Unrestricted	<u>205,190</u>
Total net assets	<u>\$ 89,313</u>

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

COUNTY SERVICE AREA NO. 47
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	\$ 510,760
Installation fees	4,720
Other operating revenues	<u>405,132</u>
Total operating revenues	<u>920,612</u>
Operating expenses:	
Agriculture	32,473
Insurance	7,853
Maintenance - equipment	38,103
Maintenance - building and grounds	126,728
Office expense	3,265
Postage	2,757
Professional and specialized services	243,529
Small tools and instruments	96
Specialized departmental expenses	24,935
Utilities	89,956
Depreciation	<u>114,278</u>
Total operating expenses	<u>683,973</u>
Operating income (loss)	<u>236,639</u>
Non-operating revenues (expenses):	
Investment earnings	51,352
Interest expense	(312,489)
Bond issuance costs	<u>(9,906)</u>
Total non-operating revenues (expenses)	<u>(271,043)</u>
Change in net assets	(34,404)
Net assets - beginning	<u>123,717</u>
Net assets - ending	<u>\$ 89,313</u>

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

COUNTY SERVICE AREA NO. 47
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	\$ 500,415
Payments to suppliers	(526,457)
Other operating receipts	<u>405,132</u>
Net cash provided by (used in) operating activities	<u>379,090</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(29,645)
Principal paid on bonds	(105,000)
Interest paid on bonds	<u>(314,677)</u>
Net cash provided by (used in) capital and related financing activities	<u>(449,322)</u>
Cash flows from investing activities:	
Interest on investments	<u>50,094</u>
Net cash provided by (used in) investing activities	<u>50,094</u>
Net increase (decrease) in cash and cash equivalents	(20,138)
Cash and cash equivalents - beginning	<u>1,177,157</u>
Cash and cash equivalents - ending	<u><u>\$ 1,157,019</u></u>

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

Operating income (loss)	\$ 236,639
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	114,278
(Increase) decrease in accounts receivable	(15,065)
Increase (decrease) in accounts payable	<u>43,238</u>
Total adjustments	<u>142,451</u>
Net cash provided by (used in) operating activities	<u><u>\$ 379,090</u></u>

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

COUNTY SERVICE AREA NO. 47
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

County Service Area No. 47, 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 contains 730 residential lots, a community clubhouse, a commercial development, and an elementary school. As of the end of this current fiscal year, the District has about 435 single-family residences, the community clubhouse, and the elementary school with about 250 students and faculty, but the commercial units remain neither constructed nor in question. 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 1995 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 and sewer services for the subdivision known as Quail Lakes Estates, located between Ashlan and Shaw Avenues on the east side of McCall Avenue. 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. 47
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. An allowance for uncollectible accounts 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 taken as a whole. The District recorded a total of \$4,402 of allowance for uncollectible accounts during the period.

3. Payables

Certain cost 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 \$80,422 as of June 30, 2007, is related to certain contract services and payments for utility fees.

COUNTY SERVICE AREA NO. 47
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. 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 Redemption Fund monies are used to pay the principal and interest on the Bonds pursuant to Section 8671 of the Improvement Bond Act of 1915. The assessment payments received by the Fiscal Agent from the County are deposited into this fund.

The Reserve Fund monies are available for transfer to the Redemption Fund to make up any deficiencies in the annual collection of assessments. The Reserve Fund was established pursuant to Section 8880 et. seq. of the Improvement Bond Act of 1915.

The Special Assessment Fund monies are used to pay the principal and interest on the Bonds. The required principal and interest payment is remitted to the Trustee who serves as the Paying Agent for the Bonds.

5. 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>
Phase I Domestic Water/Wastewater Plants	40 Years
Phase II Wastewater Treatment Plant	35 Years

COUNTY SERVICE AREA NO. 47
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. Long-Term Liabilities

Long-term debt and other long-term obligations are reported as liabilities in the proprietary fund statements and the government-wide statements (either governmental activities or business-type activities, as applicable). Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premiums and discounts. Issuance costs are reported as deferred charges.

In the governmental fund financial statements, bond premiums, discounts and issuance costs are recognized during the current period. The face amount of debt issued and any premiums received are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

7. 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.”

8. 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. 47
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)

8. 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.

9. 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 INVESTMENTS

Summary of Deposits

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

Deposits with County of Fresno Treasurer	\$ 724,298
Deposits with financial institutions	<u>432,721</u>
Total cash and cash investment	<u>\$1,157,019</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	\$ 73,365
Restricted cash and investments	<u>1,083,654</u>
Total cash and cash investments	<u>\$1,157,019</u>

COUNTY SERVICE AREA NO. 47
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 INVESTMENTS (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.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's Investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rates, credit risk, and concentration of credit risk.

The debt agreement does not contain any specific provision intent to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to 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.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following table that shows the maturity date of each investment:

		<u>Maturity Date</u>
Held by bond trustee:		
Federal Treasury Obligation	\$432,721	12 months or less

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Concentration of Credit Risk

Investments in any one issuer that represent 5% or more of total District's investments are as follows:

\$432,721 of the cash and investments (including amounts held by bond trustee) are held in the form of an unrated Federal Treasury Obligation that matures in 12 months or less.

COUNTY SERVICE AREA NO. 47
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 3 — 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:				
Structure and improvements	\$ 4,436,867	\$ 29,645	\$ -	\$ 4,466,512
Total capital assets being depreciated	4,436,867	29,645	-	4,466,512
Less accumulated depreciation:				
Structure and improvements	(861,765)	(114,278)	-	(976,043)
Total accumulated depreciation	(861,765)	(114,278)	-	(976,043)
Total capital assets being depreciated	3,575,102	(84,633)	-	3,490,469
Capital Assets, Net	\$ 3,575,102	\$ (84,633)	\$ -	\$ 3,490,469

NOTE 4— LONG-TERM DEBT

The schedule of long-term liabilities for the year ended June 30, 2007, is as follows:

	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007	Due Within One Year
Bonds	\$ 4,795,000	\$ -	\$ (105,000)	\$ 4,690,000	\$ 110,000
Total	\$ 4,795,000	\$ -	\$ (105,000)	\$ 4,690,000	\$ 110,000

Limited Obligation Improvement Bonds were issued July 30, 1997, with a yield of 6.594%, to (i) purchase certain completed and to be completed infrastructure improvements related to the Quail Lake Development; (ii) fund a reserve account; (iii) pay costs of issuance of the Bonds; and (iv) pay capitalized interest on the Bonds.

The Bonds are secured solely by a pledge of unpaid assessments against the assessed property in the District and certain other monies held in the funds and accounts under the Resolution.

Limited Obligation Improvement Bonds outstanding at year-end are as follows:

Purpose	Interest Rates	Amount Outstanding
Structures and improvements including the domestic water system, wastewater collection/ treatment system, and storm drainage system.	5.4 - 6.7%	\$ 4,690,000

COUNTY SERVICE AREA NO. 47
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 4 — LONG-TERM DEBT (Continued)

The schedule for future bond principal and interest payments is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2007-08	\$ 110,000	\$ 307,958	\$ 417,958
2008-09	120,000	300,770	420,770
2009-10	125,000	292,914	417,914
2010-11	135,000	285,189	420,189
2011-12	140,000	276,395	416,395
2012-17	855,000	1,224,258	2,079,258
2017-22	1,180,000	886,745	2,066,745
2022-28	<u>2,025,000</u>	<u>432,653</u>	<u>2,457,653</u>
TOTAL	<u>\$ 4,690,000</u>	<u>\$ 4,006,882</u>	<u>\$ 8,696,882</u>

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. 47
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. 47
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. 47 (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. 47 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. 47 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. 47
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	\$ 113,706
Receivables:	
Accounts, net	92,876
Interest	<u>7,007</u>
Total current assets	<u>213,589</u>
Noncurrent assets:	
Restricted cash and investments	1,063,451
Deferred bond issuance costs	209,745
Capital assets:	
Depreciable:	
Structures and improvements	4,436,867
Less: accumulated depreciation	<u>(861,765)</u>
Total noncurrent assets	<u>4,848,298</u>
Total assets	<u>5,061,887</u>

LIABILITIES

Current liabilities:	
Accounts payable	37,184
Interest payable	105,986
General obligation bond payable	<u>105,000</u>
Total current liabilities	<u>248,170</u>
Noncurrent liabilities:	
General obligation bond payable	<u>4,690,000</u>
Total noncurrent liabilities	<u>4,690,000</u>
Total liabilities	<u>4,938,170</u>

NET ASSETS

Invested in capital assets, net of related debt	(1,219,898)
Restricted for debt service	422,958
Unrestricted	<u>920,657</u>
Total net assets	<u>\$ 123,717</u>

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

COUNTY SERVICE AREA NO. 47
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	\$ 431,585
Installation fees	17,110
Other operating revenues	<u>429,134</u>
Total operating revenues	<u>877,829</u>
Operating expenses:	
Agriculture	2,425
Insurance	7,318
Maintenance - equipment	28,943
Maintenance - building and grounds	156,149
Office expense	2,775
Postage	2,010
Professional and specialized services	197,698
Small tools and instruments	3
Specialized departmental expenses	14,713
Utilities	79,188
Depreciation	<u>113,537</u>
Total operating expenses	<u>604,759</u>
Operating income (loss)	<u>273,070</u>
Non-operating revenues (expenses):	
Investment earnings	39,739
Interest expense	(321,254)
Bond issuance costs	<u>(9,906)</u>
Total non-operating revenues (expenses)	<u>(291,421)</u>
Change in net assets	(18,351)
Net assets - beginning	<u>142,068</u>
Net assets - ending	<u>\$ 123,717</u>

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

COUNTY SERVICE AREA NO. 47
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	\$ 439,131
Payments to suppliers	(551,606)
Other operating receipts	<u>429,134</u>
Net cash provided by (used in) operating activities	<u>316,659</u>
Cash flows from capital and related financing activities:	
Principal paid on bonds	(100,000)
Interest paid on bonds	<u>(320,808)</u>
Net cash provided by (used in) capital and related financing activities	<u>(420,808)</u>
Cash flows from investing activities:	
Interest on investments	<u>35,189</u>
Net cash provided by (used in) investing activities	<u>35,189</u>
Net increase (decrease) in cash and cash equivalents	(68,960)
Cash and cash equivalents - beginning	<u>1,246,117</u>
Cash and cash equivalents - ending	<u>\$ 1,177,157</u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating income (loss)	\$ 273,070
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	113,537
(Increase) decrease in accounts receivable	(9,564)
(Increase) decrease in prepaid assets	2,112
Increase (decrease) in accounts payable	<u>(62,496)</u>
Total adjustments	<u>43,589</u>
Net cash provided by (used in) operating activities	<u>\$ 316,659</u>

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

COUNTY SERVICE AREA NO. 47
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

County Service Area No. 47, 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 contains 730 residential lots, a community clubhouse, a commercial development, and an elementary school. As of the end of this current fiscal year, the District has about 435 single-family residences, the community clubhouse, and the elementary school with about 250 students and faculty, but the commercial units remain neither constructed nor in question. 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 1995 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 and sewer services for the subdivision known as Quail Lakes Estates, located between Ashlan and Shaw Avenues on the east side of McCall Avenue. 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. 47
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. An allowance for uncollectible accounts 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 taken as a whole. The District recorded a total of \$295 of allowance for uncollectible accounts during the period.

3. Payables

Certain cost 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 \$37,184 as of June 30, 2006, is related to certain contract services and payments for utility fees.

COUNTY SERVICE AREA NO. 47
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. 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 Redemption Fund monies are used to pay the principal and interest on the Bonds pursuant to Section 8671 of the Improvement Bond Act of 1915. The assessment payments received by the Fiscal Agent from the County are deposited into this fund.

The Reserve Fund monies are available for transfer to the Redemption Fund to make up any deficiencies in the annual collection of assessments. The Reserve Fund was established pursuant to Section 8880 et. seq. of the Improvement Bond Act of 1915.

The Special Assessment Fund monies are used to pay the principal and interest on the Bonds. The required principal and interest payment is remitted to the Trustee who serves as the Paying Agent for the Bonds.

5. 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>
Phase I Domestic Water/Wastewater Plants	40 Years
Phase II Wastewater Treatment Plant	35 Years

COUNTY SERVICE AREA NO. 47
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. Long-Term Liabilities

Long-term debt and other long-term obligations are reported as liabilities in the proprietary fund statements and the government-wide statements (either governmental activities or business-type activities, as applicable). Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premiums and discounts. Issuance costs are reported as deferred charges.

In the governmental fund financial statements, bond premiums, discounts and issuance costs are recognized during the current period. The face amount of debt issued and any premiums received are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

7. 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.”

8. 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. 47
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)

8. 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.

9. 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 INVESTMENTS

Summary of Deposits

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

Deposits with County of Fresno Treasurer	\$ 746,875
Deposits with financial institutions	<u>430,282</u>
Total cash and cash investment	<u>\$ 1,177,157</u>

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

Statement of net assets:

Cash and cash equivalents	\$ 113,706
Restricted cash and investments	<u>1,063,451</u>
Total cash and cash investments	<u>\$1,177,157</u>

COUNTY SERVICE AREA NO. 47
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 INVESTMENTS (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.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's Investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rates, credit risk, and concentration of credit risk.

The debt agreement does not contain any specific provision intent to limit the District's exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to 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.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuation is provided by the following table that shows the maturity date of each investment:

		<u>Maturity Date</u>
Held by bond trustee:		
Federated Treasury Obligation	\$1,074,474	12 months or less

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Concentration of Credit Risk

Investments in any one issuer that represent 5% or more of total District's investments are as follows:

\$1,074,474 of the cash and investments (including amounts held by bond trustee) are held in the form of an unrated Federal Treasury Obligation that matures in 12 months or less.

COUNTY SERVICE AREA NO. 47
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 3— 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:				
Structure and improvements	\$ 4,436,867	\$ -	\$ -	\$ 4,436,867
Total capital assets being depreciated	<u>4,436,867</u>	<u>-</u>	<u>-</u>	<u>4,436,867</u>
Less accumulated depreciation:				
Structure and improvements	(748,228)	(113,537)	-	(861,765)
Total accumulated depreciation	<u>(748,228)</u>	<u>(113,537)</u>	<u>-</u>	<u>(861,765)</u>
Total capital assets being depreciated	<u>3,688,639</u>	<u>(113,537)</u>	<u>-</u>	<u>3,575,102</u>
Capital Assets, Net	<u>\$ 3,688,639</u>	<u>\$ (113,537)</u>	<u>\$ -</u>	<u>\$ 3,575,102</u>

NOTE 4— LONG-TERM DEBT

The schedule of long-term liabilities for the year ended June 30, 2006, is as follows:

	Balance June 30, 2005	Additions	Retirements	Balance June 30, 2006	Due Within One Year
Bonds	\$ 4,895,000	\$ -	\$ (100,000)	\$ 4,795,000	\$ 105,000
Total	<u>\$ 4,895,000</u>	<u>\$ -</u>	<u>\$ (100,000)</u>	<u>\$ 4,795,000</u>	<u>\$ 105,000</u>

Limited Obligation Improvement Bonds were issued July 30, 1997, with a yield of 6.594%, to (i) purchase certain completed and to be completed infrastructure improvements related to the Quail Lake Development; (ii) fund a reserve account; (iii) pay costs of issuance of the Bonds; and (iv) pay capitalized interest on the Bonds.

The Bonds are secured solely by a pledge of unpaid assessments against the assessed property in the District and certain other monies held in the funds and accounts under the Resolution.

Limited Obligation Improvement Bonds outstanding at year-end are as follows:

Purpose	Interest Rates	Amount Outstanding
Structures and improvements including the domestic water system, wastewater collection/ treatment system, and storm drainage system.	5.4 - 6.7%	\$ 4,795,000

COUNTY SERVICE AREA NO. 47
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 4— LONG-TERM DEBT (Continued)

The schedule for future bond principal and interest payments is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2006-07	\$ 105,000	\$ 317,958	\$ 422,958
2007-08	110,000	311,395	421,395
2008-09	120,000	304,520	424,520
2009-10	125,000	297,020	422,020
2010-11	135,000	289,208	424,208
2012-16	800,000	1,305,870	2,105,870
2017-21	1,105,000	1,000,310	2,105,310
2022-26	1,530,000	576,536	2,106,536
2027-28	<u>765,000</u>	<u>77,720</u>	<u>842,720</u>
TOTAL	<u>\$ 4,795,000</u>	<u>\$ 4,480,537</u>	<u>\$ 9,275,537</u>

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. 49
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. 49
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. 49 (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. 49, 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. 49 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. 49
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 \$ 27,951

Receivables:

Interest 351

Total assets 28,302

LIABILITIES

Current liabilities:

Accounts payable 311

Total liabilities 311

NET ASSETS

Unrestricted 27,991

Total net assets \$ 27,991

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

COUNTY SERVICE AREA NO. 49
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 expenses:	
Professional services	\$ 866
Total operating expenses	<u>866</u>
Operating income (loss)	<u>(866)</u>
Non-operating revenues (expenses):	
Investment earnings	<u>1,344</u>
Total non-operating revenues (expenses)	<u>1,344</u>
Change in net assets	478
Net assets - beginning	<u>27,513</u>
Net assets - ending	<u><u>\$ 27,991</u></u>

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

COUNTY SERVICE AREA NO. 49
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:	
Payment to suppliers	\$ (588)
Net cash provided by (used in) operating activities	<u>(588)</u>
Cash flows from investing activities:	
Interest on investments	<u>1,264</u>
Net cash provided by (used in) investing activities	<u>1,264</u>
Net increase in cash and cash equivalents	676
Cash and cash equivalents - beginning	<u>27,275</u>
Cash and cash equivalents - ending	<u>\$ 27,951</u>

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

Operating income (loss)	\$ (866)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Increase (decrease) in accounts payable	<u>278</u>
Total adjustments	<u>278</u>
Net cash provided by (used in) operating activities	<u>\$ (588)</u>

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

COUNTY SERVICE AREA NO. 49
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. 49, 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 service to the community of J.E. O'Neill located approximately 3 miles southwest of the community of Five Points. There are 9 parcels in the District; 8 parcels are developed with 42 residences and 1 parcel is developed with the Westside Elementary School. The first district budget was in FY 2003-04. It was for the purpose of preparing a preliminary engineering report needed for an application to obtain state revolving funds for constructing upgraded water treatment facilities. The District is not subject to federal or state income taxes.

The District was formed in 2001 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 developer, Mr. O'Neill, provided the funding source for the FY 2003-04 budget to finance the engineering report. Since the system has not been upgraded yet, no service fee had been assessed as of June 30, 2005, for operations and maintenance.

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. 49
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's ending cash balances in the County of Fresno Treasury.

2. 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. 49
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. 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.

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.

COUNTY SERVICE AREA NO. 49
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>\$ 27,951</u>
Total cash and cash equivalents	<u>\$ 27,951</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>\$ 27,951</u>
Total cash and cash equivalents	<u>\$ 27,951</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 — 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. 49
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. 49
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. 49 (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. 49, 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. 49 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. 49
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	\$ 27,275
Receivables:	
Interest	<u>271</u>
Total assets	<u>27,546</u>

LIABILITIES

Current liabilities:

Accounts payable	<u>33</u>
Total liabilities	<u>33</u>

NET ASSETS

Unrestricted	<u>27,513</u>
Total net assets	<u>\$ 27,513</u>

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

COUNTY SERVICE AREA NO. 49
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 expenses:	
Professional services	\$ 1,502
Total operating expenses	<u>1,502</u>
Operating income (loss)	<u>(1,502)</u>
Non-operating revenues (expenses):	
Investment earnings	<u>899</u>
Total non-operating revenues (expenses)	<u>899</u>
Change in net assets	(603)
Net assets - beginning	<u>28,116</u>
Net assets - ending	<u><u>\$ 27,513</u></u>

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

COUNTY SERVICE AREA NO. 49
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:	
Payment to suppliers	\$ (1,469)
Net cash provided by (used in) operating activities	<u>(1,469)</u>
Cash flows from investing activities:	
Interest on investments	<u>824</u>
Net cash provided by (used in) investing activities	<u>824</u>
Net increase in cash and cash equivalents	(645)
Cash and cash equivalents - beginning	<u>27,920</u>
Cash and cash equivalents - ending	<u>\$ 27,275</u>

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

Operating income (loss)	\$ (1,502)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Increase (decrease) in accounts payable	<u>33</u>
Total adjustments	<u>33</u>
Net cash provided by (used in) operating activities	<u>\$ (1,469)</u>

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

COUNTY SERVICE AREA NO. 49
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. 49, 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 service to the community of J.E. O'Neill located approximately 3 miles southwest of the community of Five Points. There are 9 parcels in the District; 8 parcels are developed with 42 residences and 1 parcel is developed with the Westside Elementary School. The first district budget was in FY 2003-04. It was for the purpose of preparing a preliminary engineering report needed for an application to obtain state revolving funds for constructing upgraded water treatment facilities. The District is not subject to federal or state income taxes.

The District was formed in 2001 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 developer, Mr. O'Neill, provided the funding source for the FY 2003-04 budget to finance the engineering report. Since the system has not been upgraded yet, no service fee had been assessed as of June 30, 2005, for operations and maintenance.

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. 49
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's ending cash balances in the County of Fresno Treasury.

2. Net Assets

Net assets are reported in three categories as follow:

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. 49
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. 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 (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.

COUNTY SERVICE AREA NO. 49
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>\$ 27,275</u>
Total cash and cash equivalents	<u>\$ 27,275</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>\$ 27,275</u>
Total cash and cash equivalents	<u>\$ 27,275</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. 50
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. 50
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. 50 (District), a component unit of the County of Fresno, as of and for the fiscal 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. 50, 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 fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 50 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 18, 2008

COUNTY SERVICE AREA NO. 50
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

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

	Governmental Fund	Adjustments	Statement of Activities
ASSETS			
Cash and cash equivalents	\$ 27,603	\$ -	\$ 27,603
Interest receivable	238	-	238
Total assets	<u>\$ 27,841</u>	<u>-</u>	<u>27,841</u>
LIABILITIES			
Liabilities			
Accounts payable	\$ 38,613	-	38,613
Total liabilities	<u>38,613</u>	<u>-</u>	<u>38,613</u>
FUND BALANCE/NET ASSETS			
Fund balance:			
Unreserved	(10,772)	10,772	-
Total fund balance	<u>(10,772)</u>	<u>10,772</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 27,841</u>		
Net assets:			
Unrestricted		(10,772)	(10,772)
Total net assets		<u>\$ (10,772)</u>	<u>\$ (10,772)</u>

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

COUNTY SERVICE AREA NO. 50
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			
Current:			
Public ways and facilities:			
PeopleSoft financials charge	\$ 1,852	\$ -	\$ 1,852
Professional services	99,119	-	99,119
Total expenditures/expenses	<u>100,971</u>	<u>-</u>	<u>100,971</u>
Revenues			
Program revenue:			
Charges for services	76,642	-	76,642
Total program revenue	<u>76,642</u>	<u>-</u>	<u>76,642</u>
Net program expense			<u>(24,329)</u>
General revenues:			
Investment earnings	458	-	458
Total general revenues	<u>458</u>	<u>-</u>	<u>458</u>
Excess of revenues over expenditures	<u>(23,871)</u>	<u>23,871</u>	<u>-</u>
Change in net assets	-	(23,871)	(23,871)
Fund balance/net assets:			
Beginning of the year	<u>13,099</u>	<u>-</u>	<u>13,099</u>
End of the year	<u><u>\$ (10,772)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (10,772)</u></u>

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

COUNTY SERVICE AREA NO. 50
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary Balance - July 1, 2006	\$ 18,604	\$ 18,604	\$ 9,599	\$ (9,005)
Resources (inflows):				
Use of money and property	200	200	381	181
Charges for services	<u>76,605</u>	<u>76,605</u>	<u>76,642</u>	<u>37</u>
Amounts available from appropriation	<u>76,805</u>	<u>76,805</u>	<u>77,023</u>	<u>218</u>
Charges to Appropriations (outflows):				
Public ways and facilities:				
Services and supplies	<u>74,690</u>	<u>83,713</u>	<u>83,446</u>	<u>267</u>
Total charges to appropriations	<u>74,690</u>	<u>83,713</u>	<u>83,446</u>	<u>267</u>
Budgetary Balance - June, 30 2007	<u>\$ 20,719</u>	<u>\$ 11,696</u>	<u>\$ 3,176</u>	<u>\$ (8,520)</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	\$ 77,023
Differences - budget to GAAP	
Budgetary basis to modified accrual basis adjustment	<u>77</u>
Total revenues as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 77,100</u>

Uses/outflows of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 83,446
Differences - budget to GAAP	
Budgetary basis to modified accrual basis adjustment	<u>17,525</u>
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 100,971</u>

COUNTY SERVICE AREA NO. 50
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. 50, 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 2003 under the provisions of Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors (Board). The District was formed to provide fire protection and first responder medical services and the maintenance of the fire equipment of the Auberry Voluntary Fire Department (AVFD) facilities located approximately 300 yards north of the intersection of Auberry Road and Powerhouse Road. 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 District contracted AVFD to provide the basic fire protection services on a reimbursement basis. Ambulance service currently is, and will continue to be, provided exclusively by American Ambulance. 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. 50
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. 50.

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. 50
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. 50
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. 50
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 did not incur expenditures in excess of appropriation for the fiscal year 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>\$ 27,603</u>
Total cash and cash equivalents	<u>\$ 27,603</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>\$ 27,603</u>
Total cash and cash equivalents	<u>\$ 27,603</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. 50
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. 50
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. 50
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. 50 (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. 50, 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. 50 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. 50
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

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

	Governmental Fund	Adjustments	Statement of Activities
ASSETS			
Cash and cash equivalents	\$ 13,250	\$ -	\$ 13,250
Interest receivable	161	-	161
Total assets	<u>\$ 13,411</u>	<u>-</u>	<u>13,411</u>
LIABILITIES			
Liabilities			
Accounts payable	\$ 312	-	312
Total liabilities	<u>312</u>	<u>-</u>	<u>312</u>
FUND BALANCE/NET ASSETS			
Fund Balance:			
Unreserved	13,099	(13,099)	-
Total fund balance	<u>13,099</u>	<u>(13,099)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 13,411</u>		
Net Assets:			
Unrestricted		13,099	13,099
Total net assets		<u>\$ 13,099</u>	<u>\$ 13,099</u>

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

COUNTY SERVICE AREA NO. 50
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			
Current:			
PeopleSoft financials charge	\$ 118	\$ -	\$ 118
Professional services	64,282	-	64,282
Total expenditures/expenses	64,400	-	64,400
Revenues			
Program revenue:			
Charges for services	75,988	-	75,988
Total program revenue	75,988	-	75,988
Net program expense			11,588
General revenues:			
Investment earnings	453	-	453
Total general revenues	453	-	453
Excess of revenues over expenditures	12,041	(12,041)	-
Change in net assets	-	12,041	12,041
Fund balance/net assets:			
Beginning of the year	1,058	-	1,058
End of the year	\$ 13,099	\$ -	\$ 13,099

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

COUNTY SERVICE AREA NO. 50
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	\$ 8,670	\$ 8,670	\$ 11,618	\$ 2,948
Resources (inflows):				
Use of money and property	204	204	293	89
Charges for services	<u>76,605</u>	<u>76,605</u>	<u>75,987</u>	<u>(618)</u>
Amounts available from appropriation	<u>76,809</u>	<u>76,809</u>	<u>76,280</u>	<u>(529)</u>
Charges to Appropriations (outflows):				
Public ways and facilities:				
Services and supplies	66,875	66,875	78,299	(11,424)
Appropriations for contingencies	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total charges to appropriations	<u>66,875</u>	<u>66,875</u>	<u>78,299</u>	<u>(11,424)</u>
Budgetary Balance - June, 30 2006	<u>\$ 18,604</u>	<u>\$ 18,604</u>	<u>\$ 9,599</u>	<u>\$ (9,005)</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	\$ 76,280
Differences - budget to GAAP	
Budgetary basis to modified accrual basis adjustment	<u>161</u>
Total revenues as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 76,441</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 78,299
Differences - budget to GAAP	
Budgetary basis to modified accrual basis adjustment	<u>(13,899)</u>
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 64,400</u>

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

COUNTY SERVICE AREA NO. 50
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. 50, 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 2003 under the provisions of Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors (Board). The District was formed to provide fire protection and first responder medical services and the maintenance of the fire equipment of the Auberry Voluntary Fire Department (AVFD) facilities located approximately 300 yards north of the intersection of Auberry Road and Powerhouse Road. 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 District contracted AVFD to provide the basic fire protection services on a reimbursement basis. Ambulance service currently is, and will continue to be, provided exclusively by American Ambulance. 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. 50
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. 50.

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. 50
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. 50
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. 50
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:

Public Ways and Facilities:	
Services and supplies	\$ 11,424

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>\$ 13,250</u>
Total cash and cash equivalents	<u>\$ 13,250</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>\$ 13,250</u>
Total cash and cash equivalents	<u>\$ 13,250</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. 50
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.

**FRESNO-CLOVIS METROPOLITAN
SOLID WASTE COMMISSION
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**

FRESNO-CLOVIS METROPOLITAN SOLID WASTE COMMISSION
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 Fresno-Clovis Metropolitan Solid Waste Commission (Commission), 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 Commission'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 Fresno-Clovis Metropolitan Solid Waste Commission 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.

Fresno-Clovis Metropolitan Solid Waste Commission has not presented a management's discussion and analysis that accounting principles generally accepted in the United States had 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

FRESNO-CLOVIS METROPOLITAN SOLID WASTE COMMISSION
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	\$ 24,328
Interest receivable	<u>320</u>
Total assets	<u>24,648</u>

LIABILITIES

Current liabilities:

Accounts payable	<u>25</u>
Total liabilities	<u>25</u>

NET ASSETS

Unrestricted	<u>24,623</u>
Total net assets	<u><u>\$ 24,623</u></u>

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

FRESNO-CLOVIS METROPOLITAN SOLID WASTE COMMISSION

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 expenses:	
Office expense	\$ 5,229
Professional and specialized services	619
Total operating expenses	<u>5,848</u>
 Operating income (loss)	 <u>(5,848)</u>
 Non-operating revenues (expenses):	
Investment earnings	<u>1,319</u>
Total non-operating revenues (expenses)	<u>1,319</u>
 Change in net assets	 (4,529)
 Net assets - beginning	 <u>29,152</u>
 Net assets - ending	 <u>\$ 24,623</u>

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

FRESNO-CLOVIS METROPOLITAN SOLID WASTE COMMISSION
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:	
Payments to suppliers	\$ (5,924)
Net cash provided by (used in) operating activities	<u>(5,924)</u>
Cash flows from investing activities:	
Interest on investments	<u>1,296</u>
Net cash provided by (used in) investing activities	<u>1,296</u>
Net increase (decrease) in cash and cash equivalents	(4,628)
Cash and cash equivalents - beginning	<u>28,956</u>
Cash and cash equivalents - ending	<u><u>\$ 24,328</u></u>

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

Operating income (loss)	\$ (5,848)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Increase (decrease) in accounts payable	<u>(76)</u>
Total adjustments	<u>(76)</u>
Net cash provided by (used in) operating activities	<u><u>\$ (5,924)</u></u>

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

FRESNO-CLOVIS METROPOLITAN SOLID WASTE COMMISSION
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 Fresno-Clovis Metropolitan Solid Waste Commission (Commission) was established by as a separate enterprise fund on May 15, 1980. Prior to this date, the Commission was a part of the County of Fresno general fund. The Commission is governed between a joint powers agreement between the City of Clovis, the City of Fresno, and the County of Fresno.

The Commission 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 Commission is financially accountable. The Commission is has not identified any entities which would be component units of the Commission.

The Commission's function is to acquire, develop, and operate solid waste facilities for the Fresno-Clovis Metropolitan Area. The Commission is a component unit of the County of Fresno.

The Commission 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 Commission 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 Commission has elected not to apply FASB statements issued subsequent to November 30, 1989.

The Commission 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.

FRESNO-CLOVIS METROPOLITAN SOLID WASTE COMMISSION
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 Commission’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 Commission considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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

2. 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.”

3. 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.

FRESNO-CLOVIS METROPOLITAN SOLID WASTE COMMISSION
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>\$ 24,328</u>
Total cash and cash equivalents	<u>\$ 24,328</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>\$ 24,328</u>
Total cash and cash equivalents	<u>\$ 24,328</u>

Investment in County Treasury

The Commission is considered to be a voluntary participant in an external investment pool. The fair value of the Commission's investment in the pool is reported in the accompanying financial statements at amounts based upon the Commission'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 Commission does not have any deposits with financial institutions as of June 30, 2007.

NOTE 3 — RISK MANAGEMENT

The Commission 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 Commission 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 Commission.

**FRESNO-CLOVIS METROPOLITAN SOLID
WASTE COMMISSION
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**

FRESNO-CLOVIS METROPOLITAN SOLID WASTE COMMISSION
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 Fresno-Clovis Metropolitan Solid Waste Commission (Commission), 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 Commission'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 Fresno-Clovis Metropolitan Solid Waste Commission 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.

Fresno-Clovis Metropolitan Solid Waste Commission has not presented a management's discussion and analysis that accounting principles generally accepted in the United States had 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

FRESNO-CLOVIS METROPOLITAN SOLID WASTE COMMISSION
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	\$ 28,956
Interest receivable	<u>297</u>
Total assets	<u>29,253</u>

LIABILITIES

Current liabilities:

Accounts payable	<u>101</u>
Total liabilities	<u>101</u>

NET ASSETS

Unrestricted	<u>29,152</u>
Total net assets	<u>\$ 29,152</u>

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

FRESNO-CLOVIS METROPOLITAN SOLID WASTE COMMISSION

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 expenses:	
Office expense	\$ 5,234
Professional and specialized services	<u>2,455</u>
Total operating expenses	<u>7,689</u>
 Operating income (loss)	 <u>(7,689)</u>
 Non-operating revenues (expenses):	
Investment earnings	<u>1,048</u>
Total non-operating revenues (expenses)	<u>1,048</u>
 Change in net assets	 (6,641)
 Net assets - beginning	 <u>35,793</u>
 Net assets - ending	 <u>\$ 29,152</u>

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

FRESNO-CLOVIS METROPOLITAN SOLID WASTE COMMISSION
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:	
Payments to suppliers	\$ (7,720)
Net cash provided by (used in) operating activities	<u>(7,720)</u>
Cash flows from investing activities:	
Interest on investments	<u>995</u>
Net cash provided by (used in) investing activities	<u>995</u>
Net increase (decrease) in cash and cash equivalents	(6,725)
Cash and cash equivalents - beginning	<u>35,682</u>
Cash and cash equivalents - ending	\$ <u>28,956</u>

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

Operating income (loss)	\$ (7,689)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Increase (decrease) in accounts payable	<u>(31)</u>
Total adjustments	<u>(31)</u>
Net cash provided by (used in) operating activities	\$ <u>(7,720)</u>

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

FRESNO-CLOVIS METROPOLITAN SOLID WASTE COMMISSION
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 Fresno-Clovis Metropolitan Solid Waste Commission (Commission) was established by as a separate enterprise fund on May 15, 1980. Prior to this date, the Commission was a part of the County of Fresno general fund. The Commission is governed between a joint powers agreement between the City of Clovis, the City of Fresno, and the County of Fresno.

The Commission 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 Commission is financially accountable. The Commission is has not identified any entities which would be component units of the Commission.

The Commission's function is to acquire, develop, and operate solid waste facilities for the Fresno-Clovis Metropolitan Area. The Commission is a component unit of the County of Fresno.

The Commission 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 Commission 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 Commission has elected not to apply FASB statements issued subsequent to November 30, 1989.

The Commission 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.

FRESNO-CLOVIS METROPOLITAN SOLID WASTE COMMISSION
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 Commission'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 Commission considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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

2. 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.”

3. 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.

FRESNO-CLOVIS METROPOLITAN SOLID WASTE COMMISSION
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>\$ 28,956</u>
Total cash and cash equivalents	<u>\$ 28,956</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>\$ 28,956</u>
Total cash and cash equivalents	<u>\$ 28,956</u>

Investment in County Treasury

The Commission is considered to be a voluntary participant in an external investment pool. The fair value of the Commission's investment in the pool is reported in the accompanying financial statements at amounts based upon the Commission'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 Commission does not have any deposits with financial institutions as of June 30, 2006.

NOTE 3—RISK MANAGEMENT

The Commission 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 Commission 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 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 Commission.

**MAINTENANCE DISTRICT 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**

MAINTENANCE DISTRICT 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 Maintenance District No. 2 (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 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 Maintenance District No. 2, as of June 30, 2006, and the respective changes in financial position 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.

Maintenance District 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

MAINTENANCE DISTRICT NO. 2
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	\$ 16,076	\$ -	\$ 16,076
Interest receivable	157	-	157
Total Assets	<u>\$ 16,233</u>	<u>-</u>	<u>16,233</u>
LIABILITIES			
Accounts payable	\$ 86	-	86
Total liabilities	<u>86</u>	<u>-</u>	<u>86</u>
FUND BALANCE/NET ASSETS			
Fund Balance:			
Unreserved	16,147	(16,147)	-
Total fund balance	<u>16,147</u>	<u>(16,147)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 16,233</u>		
Net Assets:			
Unrestricted		16,147	16,147
Total net assets		<u>\$ 16,147</u>	<u>\$ 16,147</u>

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

MAINTENANCE DISTRICT NO. 2
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	\$ 1,877	\$ -	\$ 1,877
Total expenditures/expenses	<u>1,877</u>	<u>-</u>	<u>1,877</u>
Revenues			
Program revenue:			
Charges for services	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total program revenue	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Net program expense			<u>123</u>
General revenue:			
Unrestricted investment earnings	<u>505</u>	<u>-</u>	<u>505</u>
Total general revenues	<u>505</u>	<u>-</u>	<u>505</u>
Excess of revenues over expenditures	<u>628</u>	<u>(628)</u>	<u>-</u>
Change in net assets	-	628	628
Fund balance/net assets:			
Beginning of the year	<u>15,519</u>	<u>-</u>	<u>15,519</u>
End of the year	<u>\$ 16,147</u>	<u>\$ -</u>	<u>\$ 16,147</u>

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

MAINTENANCE DISTRICT 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	\$ -	\$ -	\$ 15,519	\$ 15,519
Resources (inflows):				
Use of money and property	2,000	2,000	2,000	-
Charges for services	<u>300</u>	<u>300</u>	<u>459</u>	<u>159</u>
Amounts available for appropriation	<u>2,300</u>	<u>2,300</u>	<u>2,459</u>	<u>159</u>
Charges to Appropriations (outflows):				
Public ways and facilities:				
Services and supplies	7,136	7,136	1,845	5,291
Special departmental	1,795	1,795	-	1,795
Contingencies	<u>893</u>	<u>893</u>	<u>-</u>	<u>893</u>
Total charges to appropriations	<u>9,824</u>	<u>9,824</u>	<u>1,845</u>	<u>7,979</u>
Budgetary Fund Balance - June 30, 2006	<u>\$ (7,524)</u>	<u>\$ (7,524)</u>	<u>\$ 16,133</u>	<u>\$ 23,657</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	\$ 2,459
Differences - budget to GAAP	<u>46</u>
Total revenues as reported on the statement of revenues and expenditures, and changes in fund balance	<u>\$ 2,505</u>

Uses/outflows of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,845
Differences - budget to GAAP	<u>32</u>
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 1,877</u>

MAINTENANCE DISTRICT 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

Maintenance District 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 District was formed in 1994 under the provisions of Streets and Highway Code Section et. seq. (Division 7, Part 3, Chapter 26), 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 maintenance for a road located on Jefferson Avenue between State Highway 99 and Golden State Boulevard. 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.

MAINTENANCE DISTRICT 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 (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 Maintenance District No. 2.

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.

MAINTENANCE DISTRICT 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)

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.

MAINTENANCE DISTRICT 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)

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.

MAINTENANCE DISTRICT NO. 2
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	\$ 16,076
Total cash and cash equivalents	\$ 16,076

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	\$ 16,076
Total cash and cash equivalents	\$ 16,076

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.

**MAINTENANCE DISTRICT 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**

MAINTENANCE DISTRICT 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 Maintenance District 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 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 Maintenance District No. 2, as of June 30, 2007, and the respective changes in financial position 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.

Maintenance District 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

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

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

	Governmental Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash and cash equivalents	\$ 17,536	\$ -	\$ 17,536
Interest receivable	217	-	217
Total Assets	<u>\$ 17,753</u>	<u>-</u>	<u>17,753</u>
LIABILITIES			
Accounts payable	\$ 297	-	297
Total liabilities	<u>297</u>	<u>-</u>	<u>297</u>
FUND BALANCE/NET ASSETS			
Fund balance:			
Unreserved	17,456	(17,456)	-
Total fund balance	<u>17,456</u>	<u>(17,456)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 17,753</u>		
Net assets:			
Unrestricted		17,456	17,456
Total net assets		<u>\$ 17,456</u>	<u>\$ 17,456</u>

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

MAINTENANCE DISTRICT NO. 2
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	\$ 1,487	\$ -	\$ 1,487
Total expenditures/expenses	<u>1,487</u>	<u>-</u>	<u>1,487</u>
Revenues			
Program revenue:			
Charges for services	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Total program revenue	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Net program expense			<u>513</u>
General revenue:			
Unrestricted investment earnings	<u>796</u>	<u>-</u>	<u>796</u>
Total general revenues	<u>796</u>	<u>-</u>	<u>796</u>
Excess of revenues over expenditures	<u>1,309</u>	<u>(1,309)</u>	<u>-</u>
Change in net assets	-	1,309	1,309
Fund balance/net assets:			
Beginning of the year	<u>16,147</u>	<u>-</u>	<u>16,147</u>
End of the year	<u>\$ 17,456</u>	<u>\$ -</u>	<u>\$ 17,456</u>

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

MAINTENANCE DISTRICT 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	\$ (7,524)	\$ (7,524)	\$ 16,133	\$ 23,657
Resources (inflows):				
Use of money and property	275	275	735	460
Charges for services	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Amounts available for appropriation	<u>2,275</u>	<u>2,275</u>	<u>2,735</u>	<u>460</u>
Charges to Appropriations (outflows):				
Public ways and facilities:				
Services and supplies	9,058	9,058	1,275	7,783
Contingencies	<u>906</u>	<u>906</u>	<u>-</u>	<u>906</u>
Total charges to appropriations	<u>9,964</u>	<u>9,964</u>	<u>1,275</u>	<u>8,689</u>
Budgetary Fund Balance - June 30, 2007	<u>\$ (15,213)</u>	<u>\$ (15,213)</u>	<u>\$ 17,593</u>	<u>\$ 32,806</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	\$ 2,735
Differences - budget to GAAP	<u>61</u>
Total revenues as reported on the statement of revenues and expenditures, and changes in fund balance	<u>\$ 2,796</u>

Uses/outflows of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,275
Differences - budget to GAAP	<u>212</u>
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 1,487</u>

MAINTENANCE DISTRICT 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

Maintenance District 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 District was formed in 1994 under the provisions of Streets and Highway Code Section et. seq. (Division 7, Part 3, Chapter 26), 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 maintenance for a road located on Jefferson Avenue between State Highway 99 and Golden State Boulevard. 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.

MAINTENANCE DISTRICT 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 (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 fund:

The *special revenue fund* accounts for special revenues that are legally restricted to expenditures for a particular purpose. The special revenue fund is the primary operating fund of Maintenance District No. 2.

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 District based on the ending cash balances in the County of Fresno Treasury.

MAINTENANCE DISTRICT 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)

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.

MAINTENANCE DISTRICT 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)

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.

MAINTENANCE DISTRICT NO. 2
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>17,536</u>
Total cash and cash equivalents	\$ <u>17,536</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>17,536</u>
Total cash and cash equivalents	\$ <u>17,536</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.

**MAINTENANCE DISTRICT NO. 4
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**

MAINTENANCE DISTRICT NO. 4
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 Maintenance District No. 4 (District), a component unit of 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 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 Maintenance District No. 4, as of June 30, 2006, and the respective changes in financial position 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.

Maintenance District No. 4 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

MAINTENANCE DISTRICT NO. 4
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	\$ 3,379	\$ -	\$ 3,379
Interest receivable	<u>33</u>	<u>-</u>	<u>33</u>
Total assets	<u>\$ 3,412</u>	<u>-</u>	<u>3,412</u>
LIABILITIES			
Accounts payable	\$ 67	-	67
Total liabilities	<u>67</u>	<u>-</u>	<u>67</u>
FUND BALANCE/NET ASSETS			
Fund balance:			
Unreserved	<u>3,345</u>	<u>(3,345)</u>	<u>-</u>
Total fund balance	<u>3,345</u>	<u>(3,345)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 3,412</u>		
Net Assets:			
Unrestricted		<u>3,345</u>	<u>3,345</u>
Total net assets		<u>\$ 3,345</u>	<u>\$ 3,345</u>

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

MAINTENANCE DISTRICT NO. 4
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	\$ 1,933	\$ -	\$ 1,933
Total expenditures/expenses	<u>1,933</u>	<u>-</u>	<u>1,933</u>
Revenues			
Program revenue:			
Charges for services	<u>1,401</u>	<u>-</u>	<u>1,401</u>
Total program revenue	<u>1,401</u>	<u>-</u>	<u>1,401</u>
Net program expense			<u>(532)</u>
General revenue:			
Unrestricted investment earnings	<u>143</u>	<u>-</u>	<u>143</u>
Total general revenues	<u>143</u>	<u>-</u>	<u>143</u>
Excess of expenditures over revenues	<u>(389)</u>	<u>389</u>	<u>-</u>
Change in net assets	-	(389)	(389)
Fund balance/net assets:			
Beginning of the year	<u>3,734</u>	<u>-</u>	<u>3,734</u>
End of the year	<u>\$ 3,345</u>	<u>\$ -</u>	<u>\$ 3,345</u>

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

MAINTENANCE DISTRICT NO. 4
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	\$ -	\$ 2,392	\$ 3,747	\$ 1,355
Resources (inflows):				
Use of money and property	75	75	110	35
Charges for current services	<u>1,402</u>	<u>1,402</u>	<u>1,401</u>	<u>(1)</u>
Amounts available for appropriations	<u>1,477</u>	<u>1,477</u>	<u>1,511</u>	<u>34</u>
Charges to Appropriations (outflows):				
Public ways and facilities:				
Professional services	2,420	2,420	1,470	950
Liability insurance	75	75	75	-
Special departmental	578	578	-	578
PeopleSoft financial charges	-	-	318	(318)
Contingencies	<u>307</u>	<u>307</u>	<u>-</u>	<u>307</u>
Total charges to appropriations	<u>3,380</u>	<u>3,380</u>	<u>1,863</u>	<u>1,517</u>
Budgetary Fund Balance - June 30, 2006	<u>\$ (1,903)</u>	<u>\$ 489</u>	<u>\$ 3,395</u>	<u>\$ 2,906</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	\$ 1,511
Differences - budget to GAAP	<u>33</u>
Total revenues as reported on the statement of revenues and expenditures, and changes in fund balance	<u>\$ 1,544</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,863
Differences - budget to GAAP	<u>70</u>
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 1,933</u>

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

MAINTENANCE DISTRICT NO. 4
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

Maintenance District No. 4, 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 1997 under the provisions of Streets and Highway Code Section 5820 through 5856 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 maintenance for the section of road identified as South Villa Avenue to 880 feet north of Jefferson 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.

MAINTENANCE DISTRICT NO. 4
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 Maintenance District No. 4.

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.

MAINTENANCE DISTRICT NO. 4
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.

MAINTENANCE DISTRICT NO. 4
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.

MAINTENANCE DISTRICT NO. 4
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:

PeopleSoft financial charges	\$ 318
------------------------------	--------

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>\$ 3,379</u>
Total cash and cash equivalents	<u>\$ 3,379</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>\$ 3,379</u>
Total cash and cash equivalents	<u>\$ 3,379</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.

**MAINTENANCE DISTRICT NO. 4
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**

MAINTENANCE DISTRICT NO. 4
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 Maintenance District No. 4 (District), a component unit of 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maintenance District No. 4, as of June 30, 2007, and the respective changes in financial position 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.

Maintenance District No. 4 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

MAINTENANCE DISTRICT NO. 4
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	\$ 4,228	\$ -	\$ 4,228
Interest receivable	51	-	51
Total assets	<u>\$ 4,279</u>	<u>-</u>	<u>4,279</u>
LIABILITIES			
Accounts payable	\$ 265	-	265
Total liabilities	<u>265</u>	<u>-</u>	<u>265</u>
FUND BALANCE/NET ASSETS			
Fund balance:			
Unreserved	4,014	(4,014)	-
Total fund balance	<u>4,014</u>	<u>(4,014)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 4,279</u>		
Net assets:			
Unrestricted		4,014	4,014
Total net assets		<u>\$ 4,014</u>	<u>\$ 4,014</u>

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

MAINTENANCE DISTRICT NO. 4
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	\$ 940	\$ -	\$ 940
Total expenditures/expenses	<u>940</u>	<u>-</u>	<u>940</u>
Revenues			
Program revenue:			
Charges for services	1,439	-	1,439
Total program revenue	<u>1,439</u>	<u>-</u>	<u>1,439</u>
Net program expense			<u>499</u>
General revenue:			
Unrestricted investment earnings	170	-	170
Total general revenues	<u>170</u>	<u>-</u>	<u>170</u>
Excess of expenditures over revenues	<u>669</u>	<u>(669)</u>	<u>-</u>
Change in net assets	-	669	669
Fund balance/net assets:			
Beginning of the year	<u>3,345</u>	<u>-</u>	<u>3,345</u>
End of the year	<u>\$ 4,014</u>	<u>\$ -</u>	<u>\$ 4,014</u>

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

MAINTENANCE DISTRICT NO. 4
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	\$ (1,903)	\$ 489	\$ 3,395	\$ 2,906
Resources (inflows):				
Use of money and property	75	75	152	77
Charges for current services	<u>1,440</u>	<u>1,440</u>	<u>1,439</u>	<u>(1)</u>
Amounts available for appropriations	<u>1,515</u>	<u>1,515</u>	<u>1,591</u>	<u>76</u>
Charges to Appropriations (outflows):				
Public ways and facilities:				
Professional services	1,640	1,640	688	952
Liability insurance	75	75	-	75
Special departmental	268	268	-	268
PeopleSoft financial charges	500	500	54	446
Contingencies	<u>248</u>	<u>248</u>	<u>-</u>	<u>248</u>
Total charges to appropriations	<u>2,731</u>	<u>2,731</u>	<u>742</u>	<u>1,989</u>
Budgetary Fund Balance - June 30, 2007	<u>\$ (3,119)</u>	<u>\$ (727)</u>	<u>\$ 4,244</u>	<u>\$ 4,971</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	\$ 1,591
Differences - budget to GAAP	<u>18</u>
Total revenues as reported on the statement of revenues and expenditures, and changes in fund balance	<u>\$ 1,609</u>

Uses/outflows of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 742
Differences - budget to GAAP	<u>198</u>
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 940</u>

MAINTENANCE DISTRICT NO. 4
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

Maintenance District No. 4, 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 1997 under the provisions of Streets and Highway Code Section 5820 through 5856 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 maintenance for the section of road identified as South Villa Avenue to 880 feet north of Jefferson 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.

MAINTENANCE DISTRICT NO. 4
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 Maintenance District No. 4.

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 District based on the ending cash balances in the County of Fresno Treasury.

**MAINTENANCE DISTRICT NO. 4
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.

MAINTENANCE DISTRICT NO. 4
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.

MAINTENANCE DISTRICT NO. 4
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 did not incur any expenditures in excess of appropriation for the fiscal year 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>\$ 4,228</u>
Total cash and cash equivalents	<u>\$ 4,228</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>\$ 4,228</u>
Total cash and cash equivalents	<u>\$ 4,228</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.

**MAINTENANCE DISTRICT 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**

MAINTENANCE DISTRICT 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 Maintenance District No. 5 (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 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 Maintenance District No. 5, as of June 30, 2006, and the respective changes in financial position 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.

Maintenance District 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

MAINTENANCE DISTRICT NO. 5
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	\$ 2,849	\$ -	\$ 2,849
Interest receivable	<u>27</u>	<u>-</u>	<u>27</u>
Total assets	<u>\$ 2,876</u>	<u>-</u>	<u>2,876</u>
LIABILITIES			
Accounts payable	\$ 64	-	64
Total liabilities	<u>64</u>	<u>-</u>	<u>64</u>
FUND BALANCE/NET ASSETS			
Fund balance:			
Unreserved	<u>2,812</u>	<u>(2,812)</u>	<u>-</u>
Total fund balance	<u>2,812</u>	<u>(2,812)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 2,876</u>		
Net Assets:			
Unrestricted		<u>2,812</u>	<u>2,812</u>
Total net assets		<u>\$ 2,812</u>	<u>\$ 2,812</u>

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

MAINTENANCE DISTRICT NO. 5
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	\$ 1,724	\$ -	\$ 1,724
Total expenditures/expenses	<u>1,724</u>	<u>-</u>	<u>1,724</u>
Revenues			
Program revenue:			
Charges for services	<u>2,026</u>	<u>-</u>	<u>2,026</u>
Total program revenue	<u>2,026</u>	<u>-</u>	<u>2,026</u>
Net program expense			<u>302</u>
General revenue:			
Unrestricted investment earnings	<u>104</u>	<u>-</u>	<u>104</u>
Total general revenues	<u>104</u>	<u>-</u>	<u>104</u>
Excess of revenues over expenditures	<u>406</u>	<u>(406)</u>	<u>-</u>
Change in net assets	-	406	406
Fund balance/net assets:			
Beginning of the year	<u>2,406</u>	<u>-</u>	<u>2,406</u>
End of the year	<u>\$ 2,812</u>	<u>\$ -</u>	<u>\$ 2,812</u>

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

MAINTENANCE DISTRICT NO. 5
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	\$ 1,669	\$ 1,669	\$ 2,406	\$ 737
Resources (inflows):				
Use of money and property	50	50	77	27
Charges for current services	<u>2,027</u>	<u>2,027</u>	<u>2,026</u>	<u>(1)</u>
Amounts available for appropriation	<u>2,077</u>	<u>2,077</u>	<u>2,103</u>	<u>26</u>
Charges to Appropriations (outflows):				
Public ways and facilities:				
Services and supplies	2,775	2,775	1,654	1,121
Contingencies	<u>278</u>	<u>278</u>	<u>-</u>	<u>278</u>
Total charges to appropriations	<u>3,053</u>	<u>3,053</u>	<u>1,654</u>	<u>1,399</u>
Budgetary Fund Balance - June 30, 2006	<u>\$ 693</u>	<u>\$ 693</u>	<u>\$ 2,855</u>	<u>\$ 2,162</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	\$ 2,103
Differences - budget to GAAP	<u>27</u>
Total revenues as reported on the statement of revenues and expenditures, and changes in fund balance	<u>\$ 2,130</u>

Uses/outflows of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,654
Differences - budget to GAAP	<u>70</u>
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 1,724</u>

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

MAINTENANCE DISTRICT 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

Maintenance District No. 5, 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 February 26, 2002, in accordance with Article XIID, Section 4, of the State Constitution, Government Code Section 54954.6 and Streets and Highway Code Section 5820 through 5856, 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 maintenance for the section of road identified as Purdue Avenue to 870 feet (approximately) north of East Teague 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.

MAINTENANCE DISTRICT 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. Measurement Focus and Basis of Accounting

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 Maintenance District No. 5.

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.

MAINTENANCE DISTRICT 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)

D. Assets, Liabilities and Net Assets or Equity

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.

MAINTENANCE DISTRICT 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)

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.

MAINTENANCE DISTRICT 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 – 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>\$ 2,849</u>
Total cash and cash equivalents	<u>\$ 2,849</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>\$ 2,849</u>
Total cash and investments	<u>\$ 2,849</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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

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.

**MAINTENANCE DISTRICT 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**

**MAINTENANCE DISTRICT 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 Maintenance District No. 5 (District), a component unit of the County of Fresno, as of and for the fiscal 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 Maintenance District No. 5, as of June 30, 2007, and the respective changes in financial position 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.

Maintenance District 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

MAINTENANCE DISTRICT NO. 5
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	\$ 4,294	\$ -	\$ 4,294
Interest receivable	51	-	51
Total assets	<u>\$ 4,345</u>	<u>-</u>	<u>4,345</u>
LIABILITIES			
Accounts payable	\$ 282	-	282
Total liabilities	<u>282</u>	<u>-</u>	<u>282</u>
FUND BALANCE/NET ASSETS			
Fund balance:			
Unreserved	4,063	(4,063)	-
Total fund balance	<u>4,063</u>	<u>(4,063)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 4,345</u>		
Net assets:			
Unrestricted		4,063	4,063
Total net assets		<u>\$ 4,063</u>	<u>\$ 4,063</u>

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

MAINTENANCE DISTRICT NO. 5
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	\$ 987	\$ -	\$ 987
Total expenditures/expenses	<u>987</u>	<u>-</u>	<u>987</u>
Revenues			
Program revenue:			
Charges for services	<u>2,083</u>	<u>-</u>	<u>2,083</u>
Total program revenue	<u>2,083</u>	<u>-</u>	<u>2,083</u>
Net program expense			<u>1,096</u>
General revenue:			
Unrestricted investment earnings	<u>155</u>	<u>-</u>	<u>155</u>
Total general revenues	<u>155</u>	<u>-</u>	<u>155</u>
Excess of revenues over (under) expenditures	<u>1,251</u>	<u>(1,251)</u>	<u>-</u>
Change in net assets	-	1,251	1,251
Fund balance/net assets:			
Beginning of the year	<u>2,812</u>	<u>-</u>	<u>2,812</u>
End of the year	<u>\$ 4,063</u>	<u>\$ -</u>	<u>\$ 4,063</u>

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

MAINTENANCE DISTRICT NO. 5
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	\$ 693	\$ 693	\$ 2,855	\$ 2,162
Resources (inflows):				
Use of money and property	50	50	131	81
Charges for current services	<u>2,084</u>	<u>2,084</u>	<u>2,083</u>	<u>(1)</u>
Amounts available for appropriation	<u>2,134</u>	<u>2,134</u>	<u>2,214</u>	<u>80</u>
Charges to Appropriations (outflows):				
Public ways and facilities:				
Services and supplies	2,531	2,531	769	1,762
Contingencies	<u>253</u>	<u>253</u>	<u>-</u>	<u>253</u>
Total charges to appropriations	<u>2,784</u>	<u>2,784</u>	<u>769</u>	<u>2,015</u>
Budgetary Fund Balance - June 30, 2007	<u>\$ 43</u>	<u>\$ 43</u>	<u>\$ 4,300</u>	<u>\$ 4,257</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	\$ 2,214
Differences - budget to GAAP	<u>24</u>
Total revenues as reported on the statement of revenues and expenditures, and changes in fund balance	<u>\$ 2,238</u>

Uses/outflows of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 769
Differences - budget to GAAP	<u>218</u>
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 987</u>

MAINTENANCE DISTRICT 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

Maintenance District No. 5, 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 February 26, 2002, in accordance with Article XIIIID, Section 4, of the State Constitution, Government Code Section 54954.6 and Streets and Highway Code Section 5820 through 5856, 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 maintenance for the section of road identified as Purdue Avenue to 870 feet (approximately) north of East Teague 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.

MAINTENANCE DISTRICT 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. Measurement Focus and Basis of Accounting

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 fund:

The *special revenue fund* accounts for special revenues that are legally restricted to expenditures for a particular purpose. The special revenue fund is the primary operating fund of Maintenance District No. 5.

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 District based on the ending cash balances in the County of Fresno Treasury.

MAINTENANCE DISTRICT 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)

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.

MAINTENANCE DISTRICT 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)

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.

MAINTENANCE DISTRICT NO. 5
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>\$ 4,294</u>
Total cash and cash equivalents	<u>\$ 4,294</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>\$ 4,294</u>
Total cash and equivalents	<u>\$ 4,294</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.

**MAINTENANCE DISTRICT NO. 6
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**

MAINTENANCE DISTRICT NO. 6
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 Maintenance District No. 6 (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 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 Maintenance District No. 6, as of June 30, 2006, and the respective changes in financial position 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.

Maintenance District No. 6 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

MAINTENANCE DISTRICT NO. 6
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	\$ 1,417	\$ -	\$ 1,417
Interest receivable	12	-	12
Total assets	<u>\$ 1,429</u>	<u>-</u>	<u>1,429</u>
LIABILITIES			
Accounts payable	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE/NET ASSETS			
Fund balance:			
Unreserved	1,429	(1,429)	-
Total fund balance	<u>1,429</u>	<u>(1,429)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 1,429</u>		
Net Assets:			
Unrestricted		1,429	1,429
Total net assets		<u>\$ 1,429</u>	<u>\$ 1,429</u>

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

MAINTENANCE DISTRICT NO. 6
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>
Revenues			
Program revenue:			
Charges for services	\$ 1,410	\$ -	\$ 1,410
Total program revenue	<u>1,410</u>	<u>-</u>	<u>1,410</u>
Net program expense			<u>1,410</u>
General revenue:			
Unrestricted investment earnings	<u>19</u>	<u>-</u>	<u>19</u>
Total general revenues	<u>19</u>	<u>-</u>	<u>19</u>
Excess of revenues over expenditures	<u>1,429</u>	<u>(1,429)</u>	<u>-</u>
Change in net assets	-	1,429	1,429
Fund balance/net assets:			
Beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>
End of the year	<u>\$ 1,429</u>	<u>\$ -</u>	<u>\$ 1,429</u>

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

MAINTENANCE DISTRICT NO. 6
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	\$ -	\$ -	\$ -	\$ -
Resources (inflows):				
Use of money and property	-	-	7	7
Charges for current services	1,410	1,410	1,410	-
Amounts available for appropriation	1,410	1,410	1,417	7
Charges to Appropriations (outflows):				
Public ways and facilities:				
Services and supplies	705	705	-	705
Contingencies	705	705	-	705
Total charges to appropriations	1,410	1,410	-	1,410
Budgetary Fund Balance - June 30, 2006	\$ -	\$ -	\$ 1,417	\$ 1,417

**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	\$ 1,417
Differences - budget to GAAP	12
Total revenues as reported on the statement of revenues and expenditures, and changes in fund balance	\$ 1,429
Uses/outflows of resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ -
Differences - budget to GAAP	-
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	\$ -

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

MAINTENANCE DISTRICT NO. 6
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

Maintenance District No. 6, 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 September 14, 2004, in accordance with Article XIID, Section 4, of the State Constitution, Government Code Section 54954.6 and Streets and Highway Code Section 5820 through 5856, 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 maintenance for the section of road identified as .112 miles of Westdove Avenue within Tract Map No. 5172, east of North of Van Ness Avenue, between Barstow and Bullard 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 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.

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.

MAINTENANCE DISTRICT NO. 6
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

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 Maintenance District No. 6.

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.

MAINTENANCE DISTRICT NO. 6
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.

MAINTENANCE DISTRICT NO. 6
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.

MAINTENANCE DISTRICT NO. 6
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>\$ 1,417</u>
Total cash and cash equivalents	<u>\$ 1,417</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>\$ 1,417</u>
Total cash and cash equivalents	<u>\$ 1,417</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.

**MAINTENANCE DISTRICT NO. 6
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**

MAINTENANCE DISTRICT NO. 6
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 Maintenance District No. 6 (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 Maintenance District No. 6, as of June 30, 2007, and the respective changes in financial position 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.

Maintenance District No. 6 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

MAINTENANCE DISTRICT NO. 6
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	\$ 2,885	\$ -	\$ 2,885
Interest receivable	34	-	34
Total assets	<u>\$ 2,919</u>	<u>-</u>	<u>2,919</u>
LIABILITIES			
Accounts payable	9	-	9
Total liabilities	<u>9</u>	<u>-</u>	<u>9</u>
FUND BALANCE/NET ASSETS			
Fund balance:			
Unreserved	2,910	(2,910)	-
Total fund balance	<u>2,910</u>	<u>(2,910)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 2,919</u>		
Net assets:			
Unrestricted		2,910	2,910
Total net assets		<u>\$ 2,910</u>	<u>\$ 2,910</u>

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

MAINTENANCE DISTRICT NO. 6
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	\$ 66	\$ -	\$ 66
Total expenditures/expenses	<u>66</u>	<u>-</u>	<u>66</u>
Revenues			
Program revenue:			
Charges for services	<u>1,451</u>	<u>-</u>	<u>1,451</u>
Total program revenue	<u>1,451</u>	<u>-</u>	<u>1,451</u>
Net program expense			<u>1,385</u>
General revenue:			
Unrestricted investment earnings	<u>96</u>	<u>-</u>	<u>96</u>
Total general revenues	<u>96</u>	<u>-</u>	<u>96</u>
Excess of revenues over (under) expenditures	<u>1,481</u>	<u>(1,481)</u>	<u>-</u>
Change in net assets	-	1,481	1,481
Fund balance/net assets:			
Beginning of the year	<u>1,429</u>	<u>-</u>	<u>1,429</u>
End of the year	<u>\$ 2,910</u>	<u>\$ -</u>	<u>\$ 2,910</u>

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

MAINTENANCE DISTRICT NO. 6
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	\$ -	\$ -	\$ 1,417	\$ 1,417
Resources (inflows):				
Use of money and property	5	5	74	69
Charges for current services	<u>1,452</u>	<u>1,452</u>	<u>1,452</u>	<u>-</u>
Amounts available for appropriation	<u>1,457</u>	<u>1,457</u>	<u>1,526</u>	<u>69</u>
Charges to Appropriations (outflows):				
Public ways and facilities:				
Services and supplies	1,434	1,434	58	1,376
Contingencies	<u>143</u>	<u>143</u>	<u>-</u>	<u>143</u>
Total charges to appropriations	<u>1,577</u>	<u>1,577</u>	<u>58</u>	<u>1,519</u>
Budgetary Fund Balance - June 30, 2007	<u>\$ (120)</u>	<u>\$ (120)</u>	<u>\$ 2,885</u>	<u>\$ 3,005</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	\$ 1,526
Differences - budget to GAAP	<u>21</u>
Total revenues as reported on the statement of revenues and expenditures, and changes in fund balance	<u>\$ 1,547</u>

Uses/outflows of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 58
Differences - budget to GAAP	<u>8</u>
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 66</u>

MAINTENANCE DISTRICT NO. 6
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

Maintenance District No. 6, 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 September 14, 2004, in accordance with Article XIID, Section 4, of the State Constitution, Government Code Section 54954.6 and Streets and Highway Code Section 5820 through 5856, 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 maintenance for the section of road identified as .112 miles of Westdove Avenue within Tract Map No. 5172, east of North of Van Ness Avenue, between Barstow and Bullard 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 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.

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.

MAINTENANCE DISTRICT NO. 6
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

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 fund:

The *special revenue fund* accounts for special revenues that are legally restricted to expenditures for a particular purpose. The special revenue fund is the primary operating fund of Maintenance District No. 6.

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 District based on the ending cash balances in the County of Fresno Treasury.

MAINTENANCE DISTRICT NO. 6
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.

MAINTENANCE DISTRICT NO. 6
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.

MAINTENANCE DISTRICT NO. 6
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>2,885</u>
Total cash and cash equivalents	\$ <u>2,885</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>2,885</u>
Total cash and cash equivalents	\$ <u>2,885</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.

**SOUTHEAST REGIONAL DISPOSAL SITE
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**

SOUTHEAST REGIONAL DISPOSAL SITE
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 Southeast Regional Disposal Site (Site), a component unit of the County of Fresno, California 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 Site'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 Southeast Regional Disposal Site 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.

Southeast Regional Disposal Site 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

SOUTHEAST REGIONAL DISPOSAL SITE
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	\$ 837,151
Receivables:	
Accounts	65,414
Interest	<u>10,693</u>
Total current assets	<u>913,258</u>

Non-current assets:

Capital assets:	
Land	<u>260,029</u>
Total non-current assets	<u>260,029</u>

Total assets	<u>1,173,287</u>
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LIABILITIES

Current liabilities:

Accounts payable	<u>23,720</u>
Total current liabilities	<u>23,720</u>

Non-current liabilities:

Post-closure liability	<u>5,025,842</u>
Total non-current liabilities	<u>5,025,842</u>

Total liabilities	<u>5,049,562</u>
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NET ASSETS

Invested in capital assets	260,029
Unrestricted	<u>(4,136,304)</u>

Total net assets	<u>\$ (3,876,275)</u>
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SOUTHEAST REGIONAL DISPOSAL SITE
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

Nonoperating revenues (expenses):	
Closure and post-closure fees	\$ 316,982
Investment earnings	40,422
Change in post-closure costs estimate	<u>110,825</u>
Total nonoperating revenues (expenses)	<u>468,229</u>
 Change in net assets	 468,229
 Net assets - beginning	 <u>(4,344,504)</u>
 Net assets - ending	 <u>\$ (3,876,275)</u>

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

SOUTHEAST REGIONAL DISPOSAL SITE
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 non-capital financing activities:	
Cash received from haulers and incorporated cities	\$ 342,990
Cash paid to decrease postclosure liability	(353,673)
Payments to suppliers	<u>(26)</u>
Net cash provided by (used in) non-capital financing activities	<u>(10,709)</u>
Cash flows from investing activities:	
Interest on investments	<u>37,634</u>
Net cash provided by (used in) investing activities	<u>37,634</u>
Net increase (decrease) in cash and cash equivalents	26,925
Cash and cash equivalents - beginning	<u>810,226</u>
Cash and cash equivalents - ending	<u><u>\$ 837,151</u></u>

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

SOUTHEAST REGIONAL DISPOSAL SITE
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

Southeast Regional Disposal Site (Site) is a component unit of the County of Fresno (County), was established by a joint powers agreement on May 18, 1970, between the County and the Cities of Sanger, Reedley, Selma, Orange Cove, Kingsburg, Fowler and Parlier. Its purpose is to provide for satisfactory disposal of non-hazardous solid waste material originating in these cities, the unincorporated area of Metropolitan Fresno, and the suburban and rural areas near the Site. The Site is located at 17216 Dinuba Avenue, one-fourth mile west of Academy Avenue, Selma, California.

The Site 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 Site is financially accountable. The Site has not identified any entities which would be component units of the Site.

The Site 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 Site 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 Southeast Regional Disposal Site has elected not to apply FASB statements issued subsequent to November 30, 1989.

The Southeast Regional Disposal Site 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.

SOUTHEAST REGIONAL DISPOSAL SITE
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 Site’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 Site considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The Site’s cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the Site 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 Site did not record any expenses for bad debts during the period.

Accounts receivable at June 30, 2007, consists of amounts due from the seven incorporated cities and various haulers within the area served by the Southeast Regional Commission for closure and post-closure fees of \$65,414.

3. Accounts Payable

Certain costs are incurred by the Site 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 Site’s current accounts payable balance of \$23,720 as of June 30, 2007, is related to certain goods and service-type transactions.

SOUTHEAST REGIONAL DISPOSAL SITE
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.

GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Costs* requires that assets be fully depreciated at the time the Site ceases accepting refuse. Therefore, depreciation to fully expense the assets was recorded for fiscal year ended June 30, 1993. Assets purchased subsequent to that date are not capitalized, but rather are expensed as reductions to the closure/post-closure liability, in accordance with GASB 18.

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.”

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.

SOUTHEAST REGIONAL DISPOSAL SITE
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

Deficit Fund Equity

The Southeast Regional Disposal Site fund had a deficit fund balance of \$3,876,275 as of June 30, 2007. This deficit is due to the closure and post-closure liability of \$5,025,842 as of 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>\$ 837,151</u>
Total cash and cash equivalents	<u>\$ 837,151</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>\$ 837,151</u>
Total cash and cash equivalents	<u>\$ 837,151</u>

Investment in County Treasury

The Site is considered to be a voluntary participant in an external investment pool. The fair value of the Site's investment in the pool is reported in the accompanying financial statements at amounts based upon the Site'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 Site does not have any deposits with financial institutions as of 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	June 30, 2007 Balance
Capital assets not being depreciated:				
Land	\$ 260,029	\$ -	\$ -	\$ 260,029
Total capital assets not being depreciated	<u>260,029</u>	<u>-</u>	<u>-</u>	<u>260,029</u>
Capital Assets, Net	<u>\$ 260,029</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,029</u>

SOUTHEAST REGIONAL DISPOSAL SITE
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 5 — CLOSURE AND POST-CLOSURE LIABILITY

State and federal laws and regulations require the Southeast Regional Disposal Site to place a final cover on the disposal site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Site reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

Southeast Regional Disposal Site completed its closure activities during fiscal year 1998-99 and began post-closure activities which are still ongoing as of June 30, 2007. The Site expects any on-going costs to be funded from interest earnings and from quarter payments provided by the waste haulers within the Southeast Regional Commission area.

The liability recorded when the disposal site was originally capped is an estimate, which is subject to change resulting from inflation/deflation, changes in technology, or changes in regulations. Post-closure costs incurred are not reported as expenses of the current period, but instead are closed to the post-closure liability, thereby reducing it by actual expenses. The estimated landfill post-closure liability balance for July 1, 2006 to June 30, 2007, is calculated as follows:

Post-closure liability at July 1, 2006	\$ 5,490,340
Less: Post-closure costs incurred during FY07	(353,673)
Plus: FY06 post-closure liability expense (for inflation)	204,199
Less: Adjustments to Post-closure liability	<u>(315,024)</u>
Post-closure liability at June 30, 2007	<u>\$ 5,025,842</u>

NOTE 6 — RISK MANAGEMENT

The Site 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 Site 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 Site.

**SOUTHEAST REGIONAL
DISPOSAL SITE
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**

SOUTHEAST REGIONAL DISPOSAL SITE
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 Southeast Regional Disposal Site (Site), a component unit of the County of Fresno, California 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 Site'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 Southeast Regional Disposal Site 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.

Southeast Regional Disposal Site 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

SOUTHEAST REGIONAL DISPOSAL SITE
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	\$ 810,226
Receivables:	
Accounts	91,422
Interest	<u>7,905</u>
Total current assets	<u>909,553</u>

Non-current assets:

Capital assets:	
Land	<u>260,029</u>
Total non-current assets	<u>260,029</u>

Total assets	<u>1,169,582</u>
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LIABILITIES

Current liabilities:

Accounts payable	<u>23,746</u>
Total current liabilities	<u>23,746</u>

Non-current liabilities:

Postclosure liability	<u>5,490,340</u>
Total non-current liabilities	<u>5,490,340</u>

Total liabilities	<u>5,514,086</u>
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NET ASSETS

Invested in capital assets	260,029
Unrestricted	<u>(4,604,533)</u>
Total net assets	<u>\$ (4,344,504)</u>

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

SOUTHEAST REGIONAL DISPOSAL SITE
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

Nonoperating revenues (expenses):	
Closure and postclosure fees	\$ 265,533
Investment earnings	24,551
Change in post-closure costs estimate	<u>1,892,869</u>
Total nonoperating revenues (expenses)	<u>2,182,953</u>
 Change in net assets	 2,182,953
 Net assets - beginning, as reported	 <u>(6,527,457)</u>
 Net assets - ending	 <u>\$ (4,344,504)</u>

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

SOUTHEAST REGIONAL DISPOSAL SITE
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 non-capital financing activities:	
Cash received from haulers and incorporated cities	\$ 379,108
Cash paid to decrease postclosure liability	(282,408)
Payments to suppliers	<u>(15,141)</u>
Net cash provided by (used in) non-capital financing activities	<u>81,559</u>
Cash flows from investing activities:	
Interest on investments	<u>21,840</u>
Net cash provided by (used in) investing activities	<u>21,840</u>
Net increase (decrease) in cash and cash equivalents	103,399
Cash and cash equivalents - beginning	<u>706,827</u>
Cash and cash equivalents - ending	<u><u>\$ 810,226</u></u>

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

SOUTHEAST REGIONAL DISPOSAL SITE
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

Southeast Regional Disposal Site (Site) is a component unit of the County of Fresno (County), was established by a joint powers agreement on May 18, 1970, between the County and the Cities of Sanger, Reedley, Selma, Orange Cove, Kingsburg, Fowler and Parlier. Its purpose is to provide for satisfactory disposal of non-hazardous solid waste material originating in these cities, the unincorporated area of Metropolitan Fresno, and the suburban and rural areas near the Site. The Site is located at 17216 Dinuba Avenue, one-fourth mile west of Academy Avenue, Selma, California.

The Site 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 Site is financially accountable. The Site has not identified any entities which would be component units of the Site.

The Site 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 Site 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 Southeast Regional Disposal Site has elected not to apply FASB statements issued subsequent to November 30, 1989.

The Southeast Regional Disposal Site 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.

SOUTHEAST REGIONAL DISPOSAL SITE
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 Site'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 Site considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The Site's cash is considered to be cash held by the County of Fresno. The County of Fresno allocates interest to the Site 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 Site did not record any expenses for bad debts during the period.

Accounts receivable at June 30, 2006, consists of amounts due from the seven incorporated cities and various haulers within the area served by the Southeast Regional Commission for closure and post-closure fees of \$91,422.

3. Accounts Payable

Certain costs are incurred by the Site 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 Site's current accounts payable balance of \$23,746 as of June 30, 2006, is related to certain goods and service-type transactions.

SOUTHEAST REGIONAL DISPOSAL SITE
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.

GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Post-closure Care Costs* requires that assets be fully depreciated at the time the site ceases accepting refuse. Therefore, depreciation to fully expense the assets was recorded for fiscal year ended June 30, 1993. Assets purchased subsequent to that date are not capitalized, but rather are expensed as reductions to the closure/post-closure liability, in accordance with GASB 18.

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.”

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.

SOUTHEAST REGIONAL DISPOSAL SITE
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

Deficit Fund Equity

The Southeast Regional Disposal Site fund had a deficit fund balance of \$4,344,504 as of June 30, 2006. This deficit is due to the closure and post-closure liability of \$5,490,340 as of 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>\$ 810,266</u>
Total cash and cash equivalents	<u>\$ 810,266</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>\$ 810,266</u>
Total cash and cash equivalents	<u>\$ 810,266</u>

Investment in County Treasury

The Site is considered to be a voluntary participant in an external investment pool. The fair value of the Site's investment in the pool is reported in the accompanying financial statements at amounts based upon the Site'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 Site 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:

	<u>July 1, 2005</u> Balance	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2006</u> Balance
Capital assets not being depreciated:				
Land	\$ 260,029	\$ -	\$ -	\$ 260,029
Total capital assets not being depreciated	<u>260,029</u>	<u>-</u>	<u>-</u>	<u>260,029</u>
Capital Assets, Net	<u>\$ 260,029</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,029</u>

SOUTHEAST REGIONAL DISPOSAL SITE
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 5—CLOSURE AND POSTCLOSURE LIABILITY

State and federal laws and regulations require the Southeast Regional Disposal Site to place a final cover on the disposal site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 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 Site reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

Southeast Regional Disposal Site completed its closure activities during fiscal year 1998-99 and began post-closure activities which are still ongoing as of June 30, 2006. The Site expects any on-going costs to be funded from interest earnings and from quarter payments provided by the waste haulers within the Southeast Regional Commission area.

The liability recorded when the disposal site was originally capped is an estimate, which is subject to change resulting from inflation/deflation, changes in technology, or changes in regulations. Postclosure costs incurred are not reported as expenses of the current period, but instead are closed to the postclosure liability, thereby reducing it by actual expenses. The estimated landfill postclosure liability balance for July 1, 2005 to June 30, 2006, is calculated as follows:

Post-closure liability at July 1, 2005	\$ 7,665,342
Less: Post-closure costs incurred during FY06	(282,133)
Plus: FY06 post-closure liability expense (for inflation)	250,158
Less: Adjustments to Post-closure liability	<u>(2,143,027)</u>
Post-closure liability at June 30, 2006	<u>\$ 5,490,340</u>

NOTE 6—RISK MANAGEMENT

The Site 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 Site 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 Site.

**VAN NESS BOULEVARD ESTATES
LIGHTING DISTRICT
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**

VAN NESS BOULEVARD ESTATES LIGHTING DISTRICT
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 Van Ness Boulevard Estates Lighting District (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 Van Ness Boulevard Estates Lighting District, as of June 30, 2006, and the respective changes in financial position 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.

Van Ness Boulevard Estates Lighting District 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

VAN NESS BOULEVARD ESTATES LIGHTING DISTRICT
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	\$ 1,675	\$ -	\$ 1,675
Interest receivable	17	-	17
Total assets	<u>\$ 1,692</u>	<u>-</u>	<u>1,692</u>
LIABILITIES			
Accounts payable	\$ 993	-	993
Total liabilities	<u>993</u>	<u>-</u>	<u>993</u>
FUND BALANCE/NET ASSETS			
Fund balance:			
Unreserved	699	(699)	-
Total fund balance	699	(699)	-
Total liabilities and fund balance	<u>\$ 1,692</u>		
Net Assets:			
Unrestricted		699	699
Total Net Assets		<u>\$ 699</u>	<u>\$ 699</u>

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

VAN NESS BOULEVARD ESTATES LIGHTING DISTRICT
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			
Current:			
Public ways and facilities	\$ 10,400	\$ -	\$ 10,400
Total expenditures/expenses	<u>10,400</u>	<u>-</u>	<u>10,400</u>
Revenues			
Program Revenue:			
Charges for services	<u>3,972</u>	<u>-</u>	<u>3,972</u>
Total program revenue	<u>3,972</u>	<u>-</u>	<u>3,972</u>
Net program expense			<u>(6,428)</u>
General Revenues:			
Property taxes	3,948	-	3,948
Unrestricted investment earnings	123	-	123
Miscellaneous	<u>74</u>	<u>-</u>	<u>74</u>
Total general revenues	<u>4,145</u>	<u>-</u>	<u>4,145</u>
Excess of expenditures over revenues	<u>(2,283)</u>	<u>2,283</u>	<u>-</u>
Change in net assets	-	(2,283)	(2,283)
Fund balance/net assets:			
Beginning of the year	<u>2,982</u>	<u>-</u>	<u>2,982</u>
End of the year	<u>\$ 699</u>	<u>\$ -</u>	<u>\$ 699</u>

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

VAN NESS BOULEVARD ESTATES LIGHTING DISTRICT
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	\$ -	\$ -	\$ 3,437	\$ 3,437
Resources (inflows):				
Taxes	2,590	2,590	3,948	1,358
Use of money and property	100	100	106	6
Intergovernmental revenues	-	-	74	74
Charges for current services	4,002	4,002	3,972	(30)
Other miscellaneous	1,484	1,484	-	(1,484)
Amounts available from appropriation	<u>8,176</u>	<u>8,176</u>	<u>8,100</u>	<u>(76)</u>
Charges to Appropriations (outflows):				
Public ways and facilities:				
Services and supplies	9,642	12,230	10,733	1,497
Contingencies	<u>964</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total charges to appropriations	<u>10,606</u>	<u>12,230</u>	<u>10,733</u>	<u>1,497</u>
Budgetary Balance - June, 30 2006	\$ <u>(2,430)</u>	\$ <u>(4,054)</u>	\$ <u>804</u>	\$ <u>4,858</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 \$ 8,100

Differences - budget to GAAP

Accruals and adjustments not included in the budgetary basis 17

Total revenues as reported on the statement of revenues and expenditures, and changes in fund balance \$ 8,117

Uses/outflows of resources:

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule \$ 10,733

Differences - budget to GAAP

Accruals and adjustments not included in the budgetary basis (333)

Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance \$ 10,400

VAN NESS BOULEVARD ESTATES LIGHTING DISTRICT
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

Van Ness Boulevard Estates Lighting District (District), a special 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 on January 30, 1962, for the purpose of providing lighting for the residents of Van Ness Boulevard Estates. The District is governed by the County Board of Supervisors (Board) and operates under the provisions of the Highway Lighting District Act (Streets and Highways Code Section 19000 et. seq.). Lighting is provided by contract with Pacific Gas & Electric. 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. 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.

VAN NESS BOULEVARD ESTATES LIGHTING DISTRICT
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 Van Ness Boulevard Estates Lighting 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.

D. Assets, Liabilities and Net Asset of 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.

VAN NESS BOULEVARD ESTATES LIGHTING DISTRICT
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 Asset of 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.

VAN NESS BOULEVARD ESTATES LIGHTING DISTRICT
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 Asset of Equity (Continued)

3. Property Taxes

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.

VAN NESS BOULEVARD ESTATES LIGHTING DISTRICT
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>\$ 1,675</u>
Total cash and cash equivalents	<u>\$ 1,675</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>\$ 1,675</u>
Total cash and cash equivalents	<u>\$ 1,675</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.

**VAN NESS BOULEVARD ESTATES
LIGHTING DISTRICT
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**

VAN NESS BOULEVARD ESTATES LIGHTING DISTRICT
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 Van Ness Boulevard Estates Lighting District (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 Van Ness Boulevard Estates Lighting District, as of June 30, 2007, and the respective changes in financial position 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.

Van Ness Boulevard Estates Lighting District 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

VAN NESS BOULEVARD ESTATES LIGHTING DISTRICT
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	\$ 4,693	\$ -	\$ 4,693
Accounts receivable	7	-	7
Interest receivable	50	-	50
Total assets	<u>\$ 4,750</u>	<u>-</u>	<u>4,750</u>
LIABILITIES			
Accounts payable	<u>\$ 991</u>	-	<u>991</u>
Total liabilities	<u>991</u>	<u>-</u>	<u>991</u>
FUND BALANCE/NET ASSETS			
Fund balance:			
Unreserved	<u>3,759</u>	<u>(3,759)</u>	<u>-</u>
Total fund balance	<u>3,759</u>	<u>(3,759)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 4,750</u>		
Net assets:			
Unrestricted		<u>3,759</u>	<u>3,759</u>
Total Net Assets		<u>\$ 3,759</u>	<u>\$ 3,759</u>

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

VAN NESS BOULEVARD ESTATES LIGHTING DISTRICT
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			
Current:			
Public ways and facilities	\$ 9,895	\$ -	\$ 9,895
Total expenditures/expenses	<u>9,895</u>	<u>-</u>	<u>9,895</u>
Revenues			
Program Revenue:			
Charges for services	<u>8,098</u>	<u>-</u>	<u>8,098</u>
Total program revenue	<u>8,098</u>	<u>-</u>	<u>8,098</u>
Net program expense			<u>(1,797)</u>
General Revenues:			
Property taxes	4,705	-	4,705
Unrestricted investment earnings	86	-	86
Miscellaneous	<u>66</u>	<u>-</u>	<u>66</u>
Total general revenues	<u>4,857</u>	<u>-</u>	<u>4,857</u>
Excess of expenditures over revenues	<u>3,060</u>	<u>(3,060)</u>	<u>-</u>
Change in net assets	-	3,060	3,060
Fund balance/net assets:			
Beginning of the year	<u>699</u>	<u>-</u>	<u>699</u>
End of the year	<u>\$ 3,759</u>	<u>\$ -</u>	<u>\$ 3,759</u>

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

VAN NESS BOULEVARD ESTATES LIGHTING DISTRICT
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	\$ -	\$ -	\$ 3,437	\$ 3,437
Resources (inflows):				
Taxes	2,900	2,900	4,704	1,804
Use of money and property	50	50	46	(4)
Intergovernmental revenues	-	-	66	66
Charges for current services	8,316	8,316	8,097	(219)
Amounts available from appropriation	<u>11,266</u>	<u>11,266</u>	<u>12,913</u>	<u>1,647</u>
Charges to Appropriations (outflows):				
Public ways and facilities:				
Services and supplies	<u>7,704</u>	<u>12,018</u>	<u>10,367</u>	<u>1,651</u>
Total charges to appropriations	<u>7,704</u>	<u>12,018</u>	<u>10,367</u>	<u>1,651</u>
Budgetary Balance - June, 30 2007	<u>\$ 3,562</u>	<u>\$ (752)</u>	<u>\$ 5,983</u>	<u>\$ 6,735</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	\$ 12,913
Differences - budget to GAAP	
Accruals and adjustments not included in the budgetary basis	<u>42</u>
Total revenues as reported on the statement of revenues and expenditures, and changes in fund balance	<u>\$ 12,955</u>
Uses/outflows of resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 10,367
Differences - budget to GAAP	
Accruals and adjustments not included in the budgetary basis	<u>(472)</u>
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	<u>\$ 9,895</u>

VAN NESS BOULEVARD ESTATES LIGHTING DISTRICT
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

Van Ness Boulevard Estates Lighting District (District), a special 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 on January 30, 1962, for the purpose of providing lighting for the residents of Van Ness Boulevard Estates. The District is governed by the County Board of Supervisors (Board) and operates under the provisions of the Highway Lighting District Act (Streets and Highways Code Section 19000 et. seq.). Lighting is provided by contract with Pacific Gas & Electric. 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. 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.

VAN NESS BOULEVARD ESTATES LIGHTING DISTRICT
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 Van Ness Boulevard Estates Lighting 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.

D. Assets, Liabilities and Net Asset of 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.

VAN NESS BOULEVARD ESTATES LIGHTING DISTRICT
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 Asset of 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.

VAN NESS BOULEVARD ESTATES LIGHTING DISTRICT
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 Asset of 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.

VAN NESS BOULEVARD ESTATES LIGHTING DISTRICT
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>\$ 4,693</u>
Total cash and cash equivalents	<u>\$ 4,693</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>\$ 4,693</u>
Total cash and cash equivalents	<u>\$ 4,693</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.

**WATERWORKS DISTRICT NO. 37
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**

WATERWORKS DISTRICT NO. 37
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 Waterworks District No. 37 (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 Waterworks District No. 37, as of June 30, 2006, and the 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.

Waterworks District No. 37 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

WATERWORKS DISTRICT NO. 37
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	\$ 11,119
Receivables:	
Accounts	4,588
Interest	<u>96</u>
Total current assets	<u>15,803</u>

Noncurrent assets:

Capital assets:

Nondepreciable:

Land	8,390
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Depreciable:

Buildings and improvements	216,255
Less: accumulated depreciation	<u>(105,149)</u>

Total non-current assets	<u>119,496</u>
--------------------------	----------------

Total assets	<u>135,299</u>
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LIABILITIES

Current liabilities:

Accounts payable	4,939
Excess tax payable	<u>273</u>
Total liabilities	<u>5,212</u>

NET ASSETS

Invested in capital assets	119,496
Unrestricted	<u>10,591</u>
Total net assets	<u>\$ 130,087</u>

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

WATERWORKS DISTRICT NO. 37
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	\$ 25,145
Other operating revenues	<u>265</u>
Total operating revenues	<u>25,410</u>
Operating expenses:	
Liability insurance	66
Maintenance - equipment	322
Maintenance - building and grounds	5,593
Office expense	124
Postage	224
Professional services	19,589
Specialized departmental expenses	415
Utilities	3,468
GANN Limit refunds	273
Depreciation	<u>6,711</u>
Total operating expenses	<u>36,785</u>
Operating income (loss)	<u>(11,375)</u>
Non-operating revenues (expenses):	
Investment earnings	268
Property taxes	9,351
Federal in-lieu housing	4
State homeowners' property tax relief	<u>106</u>
Total non-operating revenues (expenses)	<u>9,729</u>
Change in net assets	(1,646)
Total net assets, beginning	<u>131,733</u>
Total net assets, ending	<u>\$ 130,087</u>

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

WATERWORKS DISTRICT NO. 37
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	\$ 24,540
Cash paid to suppliers	(29,499)
Other operating receipts	<u>265</u>
Net cash provided by (used in) operating activities	<u>(4,694)</u>
Cash flows from non-capital financing activities:	
Property taxes receipts	<u>9,461</u>
Net cash provided by (used in) non-capital financing activities	<u>9,461</u>
Cash flows from investing activities:	
Interest on investments	<u>242</u>
Net cash provided by (used in) investing activities	<u>242</u>
Net increase (decrease) in cash and cash equivalents	5,009
Cash and cash equivalents - beginning	<u>6,110</u>
Cash and cash equivalents - ending	<u>\$ 11,119</u>

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

Operating income (loss)	\$ (11,375)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	6,711
(Increase) decrease in accounts receivable	(605)
(Increase) decrease in prepaid expenses	159
Increase (decrease) in accounts payable	143
Increase (decrease) in excess tax payable	<u>273</u>
Total adjustments	<u>6,681</u>
Net cash provided by (used in) operating activities	<u>\$ (4,694)</u>

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

WATERWORKS DISTRICT NO. 37
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

Waterworks District No. 37, 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 for domestic use and fire protection for the subdivision known as Mile High, located near Meadow Lakes. The District contains forty-seven residential parcels of which forty-six are developed. There is one out-of-district water user.

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 on November 21, 1961, under the provisions of Government Code Section 55000 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.

WATERWORKS DISTRICT NO. 37
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 \$82 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 \$4,939 as of June 30, 2006, is related to certain contract services and payments for utility fees.

WATERWORKS DISTRICT NO. 37
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>Type</u>	<u>Useful Lives</u>
Plant	9.5 Years
Wells	20-30 Years
Meters	25-30 Years
Pumps	15-25 Years
Mains and hydrants	40 Years
Structures	25-40 Years
Tanks	25-60 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.”

WATERWORKS DISTRICT NO. 37
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.

WATERWORKS DISTRICT NO. 37
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>\$ 11,119</u>
Total cash and cash equivalents	<u>\$ 11,119</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>\$11,119</u>
Total cash and cash equivalents	<u>\$11,119</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	Retirements	June 30, 2006 Balance
Capital assets not being depreciated:				
Land	\$ 8,390	\$ -	\$ -	\$ 8,390
Total capital assets not being depreciated	<u>8,390</u>	<u>-</u>	<u>-</u>	<u>8,390</u>
Capital assets being depreciated:				
Buildings and improvements	216,255	-	-	216,255
Total capital assets being depreciated	<u>216,255</u>	<u>-</u>	<u>-</u>	<u>216,255</u>
Less accumulated depreciation:				
Buildings and improvements	(98,438)	(6,711)	-	(105,149)
Total accumulated depreciation	<u>(98,438)</u>	<u>(6,711)</u>	<u>-</u>	<u>(105,149)</u>
Capital Assets, Net	<u>\$ 126,207</u>	<u>\$ (6,711)</u>	<u>\$ -</u>	<u>\$ 119,496</u>

WATERWORKS DISTRICT NO. 37
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 4— EXCESS TAXES PAYABLE

The District's GANN appropriation limit has been exceeded this fiscal year. According to Article XIII B of the California Constitution, if the excess appropriations of two consecutive years combined still exceed the limit, the excess must be returned by either a revision of the tax rates of fees schedules within the next two fiscal years. The excess taxes payable are as follows:

Excess taxes for the fiscal year 2005/2006	\$273
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Last year the District did not exceed the GANN appropriation limit, therefore the District's managers are not developing a proposal to the Board of Supervisors to return or credit the excess proceeds of taxes.

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.

**WATERWORKS DISTRICT NO. 37
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**

WATERWORKS DISTRICT NO. 37
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 Waterworks District No. 37 (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 Waterworks District No. 37, as of June 30, 2007, and the 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.

Waterworks District No. 37 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

WATERWORKS DISTRICT NO. 37
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	\$ 1,825
Receivables:	
Accounts	5,045
Interest	<u>1</u>
Total current assets	<u>6,871</u>

Noncurrent assets:

Capital assets:

Nondepreciable:

Land	8,390
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Depreciable:

Buildings and improvements	216,255
Less: accumulated depreciation	<u>(111,858)</u>
Total non-current assets	<u>112,787</u>

Total assets	<u>119,658</u>
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LIABILITIES

Current liabilities:

Accounts payable	<u>3,369</u>
Total liabilities	<u>3,369</u>

NET ASSETS

Invested in capital assets	112,787
Unrestricted	<u>3,502</u>
Total net assets	<u>\$ 116,289</u>

WATERWORKS DISTRICT NO. 37
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	\$ 27,106
Other operating revenues	130
Total operating revenues	<u>27,236</u>
Operating expenses:	
Liability insurance	284
Maintenance - equipment	1,117
Maintenance - building and grounds	2,177
Office expense	147
Postage	184
Professional services	22,086
Specialized departmental expenses	1,351
Utilities	3,172
Depreciation	6,708
Total operating expenses	<u>37,226</u>
Operating income (loss)	<u>(9,990)</u>
Non-operating revenues (expenses):	
Investment earnings	113
Property taxes	(4,028)
Federal in-lieu housing	1
State homeowners' property tax relief	106
Total non-operating revenues (expenses)	<u>(3,808)</u>
Change in net assets	(13,798)
Total net assets, beginning	<u>130,087</u>
Total net assets, ending	<u>\$ 116,289</u>

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

WATERWORKS DISTRICT NO. 37
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	\$ 26,649
Cash paid to suppliers	(32,361)
Other operating receipts	<u>130</u>
Net cash provided by (used in) operating activities	<u>(5,582)</u>
Cash flows from non-capital financing activities:	
Property taxes receipts	<u>(3,921)</u>
Net cash provided by (used in) non-capital financing activities	<u>(3,921)</u>
Cash flows from investing activities:	
Interest on investments	<u>209</u>
Net cash provided by (used in) investing activities	<u>209</u>
Net increase (decrease) in cash and cash equivalents	(9,294)
Cash and cash equivalents - beginning	<u>11,119</u>
Cash and cash equivalents - ending	<u><u>\$ 1,825</u></u>

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

Operating income (loss)	\$ (9,990)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	6,708
(Increase) decrease in accounts receivable	(457)
Increase (decrease) in accounts payable	(1,570)
Increase (decrease) in excess tax payable	<u>(273)</u>
Total adjustments	<u>4,408</u>
Net cash provided by (used in) operating activities	<u><u>\$ (5,582)</u></u>

WATERWORKS DISTRICT NO. 37
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

Waterworks District No. 37, 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 for domestic use and fire protection for the subdivision known as Mile High, located near Meadow Lakes. The District contains forty-seven residential parcels of which forty-six are developed. There is one out-of-district water user.

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 on November 21, 1961, under the provisions of Government Code Section 55000 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.

WATERWORKS DISTRICT NO. 37
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 \$3,369 as of June 30, 2007, is related to certain contract services and payments for utility fees.

WATERWORKS DISTRICT NO. 37
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>Type</u>	<u>Useful Lives</u>
Plant	9.5 Years
Wells	20-30 Years
Meters	25-30 Years
Pumps	15-25 Years
Mains and hydrants	40 Years
Structures	25-40 Years
Tanks	25-60 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.”

WATERWORKS DISTRICT NO. 37
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.

WATERWORKS DISTRICT NO. 37
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>\$ 1,825</u>
Total cash and cash equivalents	<u>\$ 1,825</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>\$ 1,825</u>
Total cash and cash equivalents	<u>\$ 1,825</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 not being depreciated:				
Land	\$ 8,390	\$ -	\$ -	\$ 8,390
Total capital assets not being depreciated	<u>8,390</u>	<u>-</u>	<u>-</u>	<u>8,390</u>
Capital assets being depreciated:				
Buildings and improvements	216,255	-	-	216,255
Total capital assets being depreciated	<u>216,255</u>	<u>-</u>	<u>-</u>	<u>216,255</u>
Less accumulated depreciation:				
Buildings and improvements	(105,149)	(6,709)	-	(111,858)
Total accumulated depreciation	<u>(105,149)</u>	<u>(6,709)</u>	<u>-</u>	<u>(111,858)</u>
Capital Assets, Net	<u>\$ 119,496</u>	<u>\$ (6,709)</u>	<u>\$ -</u>	<u>\$ 112,787</u>

WATERWORKS DISTRICT NO. 37
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 4 — EXCESS TAXES PAYABLE

The District's GANN appropriation limit was exceeded last fiscal year. According to Article XIII B of the California Constitution, if the excess appropriations of two consecutive years combined still exceed the limit, the excess must be returned by either a revision of the tax rates or fees schedules within the next two fiscal years.

This year the District did not exceed the GANN appropriation limit, therefore the District's managers are not developing a proposal to the Board of Supervisors to return or credit the excess proceeds of taxes.

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 effect on the financial position of the District.

**WATERWORKS DISTRICT NO. 38 AND
MAINTENANCE DISTRICT 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**

WATERWORKS DISTRICT NO. 38 AND MAINTENANCE DISTRICT 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 the business-type activities and each major fund of Waterworks District No. 38 and Maintenance District No. 1 (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 business-type activities and each major fund of Waterworks District No. 38 and Maintenance District No. 1, 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.

Waterworks District No. 38 and Maintenance District No. 1 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States had 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

WATERWORKS DISTRICT NO. 38 AND MAINTENANCE DISTRICT NO. 1**COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)****STATEMENT OF NET ASSETS****June 30, 2006**

	<u>Waterworks District No. 38</u>	<u>Maintenance District No. 1</u>	<u>Total Business-type Activities</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 212	\$ 93,836	\$ 94,048
Receivables:			
Accounts	6,880	-	6,880
Interest	77	1,126	1,203
Total current assets	<u>7,169</u>	<u>94,962</u>	<u>102,131</u>
Noncurrent assets:			
Depreciable:			
Building and improvements	526,237	-	526,237
Less: accumulated depreciation	<u>(428,696)</u>	<u>-</u>	<u>(428,696)</u>
Total noncurrent assets	<u>97,541</u>	<u>-</u>	<u>97,541</u>
Total assets	<u>104,710</u>	<u>94,962</u>	<u>199,672</u>
LIABILITIES			
Current liabilities:			
Accounts payable	<u>3,181</u>	<u>51</u>	<u>3,232</u>
Total current liabilities	<u>3,181</u>	<u>51</u>	<u>3,232</u>
Total liabilities	<u>3,181</u>	<u>51</u>	<u>3,232</u>
NET ASSETS			
Invested in capital assets	97,541	-	97,541
Unrestricted	<u>3,988</u>	<u>94,911</u>	<u>98,899</u>
Total net assets	<u>\$ 101,529</u>	<u>\$ 94,911</u>	<u>\$ 196,440</u>

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

WATERWORKS DISTRICT NO. 38 AND MAINTENANCE DISTRICT 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

	Waterworks District No. 38	Maintenance District No. 1	Total Business-type Activities
Operating revenues:			
Charges for services	\$ 36,063	\$ -	\$ 36,063
Other operating revenues	12,406	23,072	35,478
Total revenues	<u>48,469</u>	<u>23,072</u>	<u>71,541</u>
Operating expenses:			
Insurance	552	-	552
Maintenance	48,903	-	48,903
Office expense	270	116	386
Postage	405	-	405
Professional and specialized services	39,441	1,241	40,682
Membership and legal notices	14	-	14
Specialized departmental expenses	6,650	-	6,650
Utilities	8,217	-	8,217
Depreciation	10,667	-	10,667
Total operating expenses	<u>115,119</u>	<u>1,357</u>	<u>116,476</u>
Operating income (loss)	<u>(66,650)</u>	<u>21,715</u>	<u>(44,935)</u>
Non-operating revenues (expenses):			
Investment earnings	576	4,319	4,895
Property taxes	7,075	-	7,075
Homeowners property tax relief	277	-	277
Federal in-lieu housing	1	-	1
Total non-operating revenues (expenses)	<u>7,929</u>	<u>4,319</u>	<u>12,248</u>
Net income (loss) before transfers	<u>(58,721)</u>	<u>26,034</u>	<u>(32,687)</u>
Transfers in (out):			
Transfers in	35,548	-	35,548
Transfers out	-	(35,548)	(35,548)
Total transfers in (out)	<u>35,548</u>	<u>(35,548)</u>	<u>-</u>
Change in net assets	(23,173)	(9,514)	(32,687)
Net assets - beginning	<u>124,702</u>	<u>104,425</u>	<u>229,127</u>
Net assets - ending	<u>\$ 101,529</u>	<u>\$ 94,911</u>	<u>\$ 196,440</u>

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

WATERWORKS DISTRICT NO. 38 AND MAINTENANCE DISTRICT NO. 1**COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)****STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2006**

	Waterworks District No. 38	Maintenance District No. 1	Total Business-type Activities
Cash flows from operating activities:			
Cash received from users	\$ 34,396	\$ -	\$ 34,396
Cash paid to suppliers	(119,024)	(1,306)	(120,330)
Other operating receipts (payments)	<u>12,406</u>	<u>23,072</u>	<u>35,478</u>
Net cash provided by (used in) operating activities	<u>(72,222)</u>	<u>21,766</u>	<u>(50,456)</u>
Cash flows from non-capital financing activities:			
Property taxes received	7,353	-	7,353
Net transfers to other funds	<u>35,548</u>	<u>(35,548)</u>	<u>-</u>
Net cash provided by (used in) non-capital financing activities	<u>42,901</u>	<u>(35,548)</u>	<u>7,353</u>
Cash flows from investing activities:			
Interest on investments	<u>499</u>	<u>3,193</u>	<u>3,692</u>
Net cash provided by (used in) investing activities	<u>499</u>	<u>3,193</u>	<u>3,692</u>
Net increase (decrease) in cash and cash equivalents	(28,822)	(10,589)	(39,411)
Cash and cash equivalents - beginning	<u>29,034</u>	<u>104,425</u>	<u>133,459</u>
Cash and cash equivalents - ending	<u>\$ 212</u>	<u>\$ 93,836</u>	<u>\$ 94,048</u>

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

Operating income (loss)	\$ (66,650)	\$ 21,715	\$ (44,935)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	10,667	-	10,667
(Increase) decrease in accounts receivable	(1,667)	-	(1,667)
(Increase) decrease in prepaid expenses	-	-	-
Increase (decrease) in accounts payable	<u>(14,572)</u>	<u>51</u>	<u>(14,521)</u>
Total adjustments	<u>(5,572)</u>	<u>51</u>	<u>(5,521)</u>
Net cash provided by (used in) operating activities	<u>\$ (72,222)</u>	<u>\$ 21,766</u>	<u>\$ (50,456)</u>

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

WATERWORKS DISTRICT NO. 38 AND MAINTENANCE DISTRICT 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

Waterworks District 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 water for irrigation, domestic use and fire protection purposes, and to provide for the sanitation, purification and collection of water and storm wastes. 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 Waterworks District No. 38 was formed on March 9, 1965, under the provisions of Government Code Section 55000 et. seq., and is governed by the County Board of Supervisors. On October 19, 1993, the County of Fresno Board of Supervisors approved the formation of Maintenance District No. 1 (District) as an enterprise fund of the County, a political subdivision of the State of California under the provisions of Streets and Highway Code Section 5820 et. seq., and is governed by the County of Fresno Board of Supervisors. The function of Maintenance District No. 1 is to perform capital repairs and improvements to the sanitary sewer and water systems of Waterworks District No. 38. Maintenance District No. 1 is accounted for separately from Waterworks District No. 38. 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.

WATERWORKS DISTRICT NO. 38 AND MAINTENANCE DISTRICT 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 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.

Both *Waterworks District No. 38 fund* and *Maintenance District No.1 fund* are major enterprise funds of the District. The general operations of the District are accounted for in these funds.

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 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 \$77 of allowance for uncollectible accounts during the period.

WATERWORKS DISTRICT NO. 38 AND MAINTENANCE DISTRICT 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

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:

For Water Services:

Water treatment controls and valves	5-7 Years
Plant equipment	12 Years
Computer equipment	15 Years
Meters	20-40 Years
Wells and pumps	25 Years
Main covers, mains-gate valves and hydrants	40 Years
Tanks	50 Years
Main pipes	70 Years

For Sewer Services:

Treatment pump pallets	10 Years
Computer equipment	15 Years
Sewer improvements and disposal facilities	25 Years
Solid waste collection facilities	25-50 Years
Treatment facilities	25-50 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.”

WATERWORKS DISTRICT NO. 38 AND MAINTENANCE DISTRICT 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

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.

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.

WATERWORKS DISTRICT NO. 38 AND MAINTENANCE DISTRICT 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

Summary of Deposits

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

Deposits with County of Fresno Treasurer	<u>\$ 94,048</u>
Total cash and cash equivalents	<u>\$ 94,048</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>\$ 94,048</u>
Total cash and cash equivalents	<u>\$ 94,048</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	Retirements	June 30, 2006 Balance
Capital assets being depreciated:				
Buildings and systems	\$ 313,756	\$ -	\$ -	\$ 313,756
Improvements other than buildings	<u>212,481</u>	<u>-</u>	<u>-</u>	<u>212,481</u>
Total capital assets being depreciated	526,237	-	-	526,237
Less accumulated depreciation:				
Buildings and systems	(265,133)	(6,332)	-	(271,465)
Improvements other than buildings	<u>(152,896)</u>	<u>(4,335)</u>	<u>-</u>	<u>(157,231)</u>
Total accumulated depreciation	<u>(418,029)</u>	<u>(10,667)</u>	<u>-</u>	<u>(428,696)</u>
Capital Assets, Net	<u>\$ 108,208</u>	<u>\$ (10,667)</u>	<u>\$ -</u>	<u>\$ 97,541</u>

WATERWORKS DISTRICT NO. 38 AND MAINTENANCE DISTRICT NO. 1

**COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2006

NOTE 4— INTERFUND TRANSFERS

Interfund transfers during the year ended June 30, 2006, are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Waterworks District No. 38	\$ 35,548	\$ -
Maintenance District No. 1	-	35,548
Total	<u>\$ 35,548</u>	<u>\$ 35,548</u>

Maintenance District No. 1 is a funding source to cover capital improvements, maintenance and infrastructure replacement for Waterworks District No. 38. Expenditures are paid from Waterworks District No. 38 and a transfer is made from Maintenance District No. 1 to reimburse the costs.

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.

**WATERWORKS DISTRICT NO. 38 AND
MAINTENANCE DISTRICT 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**

WATERWORKS DISTRICT NO. 38 AND MAINTENANCE DISTRICT 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 the business-type activities and each major fund of Waterworks District No. 38 and Maintenance District No. 1 (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 business-type activities and each major fund of Waterworks District No. 38 and Maintenance District No. 1, 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.

Waterworks District No. 38 and Maintenance District No. 1 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States had 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

WATERWORKS DISTRICT NO. 38 AND MAINTENANCE DISTRICT NO. 1**COUNTY OF FRESNO, CALIFORNIA****(A Component Unit of the County of Fresno)****STATEMENT OF NET ASSETS****June 30, 2007**

	<u>Waterworks District No. 38</u>	<u>Maintenance District No. 1</u>	<u>Total Business-type Activities</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 7	\$ 106,110	\$ 106,117
Receivables:			
Accounts	7,743	-	7,743
Interest	24	1,284	1,308
Total current assets	<u>7,774</u>	<u>107,394</u>	<u>115,168</u>
Noncurrent assets:			
Depreciable:			
Building and improvements	526,237	-	526,237
Less: accumulated depreciation	<u>(436,442)</u>	<u>-</u>	<u>(436,442)</u>
Total noncurrent assets	<u>89,795</u>	<u>-</u>	<u>89,795</u>
Total assets	<u>97,569</u>	<u>107,394</u>	<u>204,963</u>
LIABILITIES			
Current liabilities:			
Accounts payable	<u>5,247</u>	<u>246</u>	<u>5,493</u>
Total current liabilities	<u>5,247</u>	<u>246</u>	<u>5,493</u>
Total liabilities	<u>5,247</u>	<u>246</u>	<u>5,493</u>
NET ASSETS			
Invested in capital assets	89,795	-	89,795
Unrestricted	<u>2,527</u>	<u>107,148</u>	<u>109,675</u>
Total net assets	<u>\$ 92,322</u>	<u>\$ 107,148</u>	<u>\$ 199,470</u>

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

WATERWORKS DISTRICT NO. 38 AND MAINTENANCE DISTRICT 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**

	Waterworks District No. 38	Maintenance District No. 1	Total Business-type Activities
Operating revenues:			
Charges for services	\$ 44,030	\$ -	\$ 44,030
Other operating revenues	4,514	23,072	27,586
Total revenues	48,544	23,072	71,616
Operating expenses:			
Insurance	878	-	878
Maintenance	14,382	-	14,382
Office expense	315	203	518
Postage	890	-	890
Professional and specialized services	59,930	833	60,763
Membership and legal notices	33	-	33
Specialized departmental expenses	9,650	-	9,650
Utilities	11,134	-	11,134
Depreciation	7,746	-	7,746
Total operating expenses	104,958	1,036	105,994
Operating income (loss)	(56,414)	22,036	(34,378)
Non-operating revenues (expenses):			
Investment earnings	(276)	4,764	4,488
Property taxes	32,615	-	32,615
Homeowners property tax relief	301	-	301
Federal in-lieu housing	4	-	4
Total non-operating revenues (expenses)	32,644	4,764	37,408
Net income (loss) before transfers	(23,770)	26,800	3,030
Transfers in (out):			
Transfers in	14,563	-	14,563
Transfers out	-	(14,563)	(14,563)
Total transfers in (out)	14,563	(14,563)	-
Change in net assets	(9,207)	12,237	3,030
Net assets - beginning	101,529	94,911	196,440
Net assets - ending	\$ 92,322	\$ 107,148	\$ 199,470

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

WATERWORKS DISTRICT NO. 38 AND MAINTENANCE DISTRICT 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**

	Waterworks District No. 38	Maintenance District No. 1	Total Business-type Activities
Cash flows from operating activities:			
Cash received from users	\$ 43,167	\$ -	\$ 43,167
Cash paid to suppliers	(95,146)	(841)	(95,987)
Other operating receipts (payments)	<u>4,514</u>	<u>23,072</u>	<u>27,586</u>
Net cash provided by (used in) operating activities	<u>(47,465)</u>	<u>22,231</u>	<u>(25,234)</u>
Cash flows from non-capital financing activities:			
Property taxes received	32,920	-	32,920
Net transfers to other funds	<u>14,563</u>	<u>(14,563)</u>	<u>-</u>
Net cash provided by (used in) non-capital financing activities	<u>47,483</u>	<u>(14,563)</u>	<u>32,920</u>
Cash flows from investing activities:			
Interest on investments	<u>(223)</u>	<u>4,606</u>	<u>4,383</u>
Net cash provided by (used in) investing activities	<u>(223)</u>	<u>4,606</u>	<u>4,383</u>
Net increase (decrease) in cash and cash equivalents	(205)	12,274	12,069
Cash and cash equivalents - beginning	<u>212</u>	<u>93,836</u>	<u>94,048</u>
Cash and cash equivalents - ending	<u>\$ 7</u>	<u>\$ 106,110</u>	<u>\$ 106,117</u>

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

Operating income (loss)	\$ (56,414)	\$ 22,036	\$ (34,378)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	7,746	-	7,746
(Increase) decrease in accounts receivable	(863)	-	(863)
Increase (decrease) in accounts payable	<u>2,066</u>	<u>195</u>	<u>2,261</u>
Total adjustments	<u>8,949</u>	<u>195</u>	<u>9,144</u>
Net cash provided by (used in) operating activities	<u>\$ (47,465)</u>	<u>\$ 22,231</u>	<u>\$ (25,234)</u>

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

WATERWORKS DISTRICT NO. 38 AND MAINTENANCE DISTRICT 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

Waterworks District 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 water for irrigation, domestic use and fire protection purposes, and to provide for the sanitation, purification and collection of water and storm wastes. 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 Waterworks District No. 38 was formed on March 9, 1965, under the provisions of Government Code Section 55000 et. seq., and is governed by the County Board of Supervisors. On October 19, 1993, the County of Fresno Board of Supervisors approved the formation of Maintenance District No. 1 (District) as an enterprise fund of the County, a political subdivision of the State of California under the provisions of Streets and Highway Code Section 5820 et. seq., and is governed by the County of Fresno Board of Supervisors. The function of Maintenance District No. 1 is to perform capital repairs and improvements to the sanitary sewer and water systems of Waterworks District No. 38. Maintenance District No. 1 is accounted for separately from Waterworks District No. 38. 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.

WATERWORKS DISTRICT NO. 38 AND MAINTENANCE DISTRICT 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 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.

Both *Waterworks District No. 38 fund* and *Maintenance District No.1 fund* are major enterprise funds of the District. The general operations of the District are accounted for in these funds.

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.

WATERWORKS DISTRICT NO. 38 AND MAINTENANCE DISTRICT 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

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:

For Water Services:

Water treatment controls and valves	5-7 Years
Plant equipment	12 Years
Computer equipment	15 Years
Meters	20-40 Years
Wells and pumps	25 Years
Main covers, mains-gate valves and hydrants	40 Years
Tanks	50 Years
Main pipes	70 Years

For Sewer Services:

Treatment pump pallets	10 Years
Computer equipment	15 Years
Sewer improvements and disposal facilities	25 Years
Solid waste collection facilities	25-50 Years
Treatment facilities	25-50 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.”

WATERWORKS DISTRICT NO. 38 AND MAINTENANCE DISTRICT 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

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.

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.

WATERWORKS DISTRICT NO. 38 AND MAINTENANCE DISTRICT 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

Summary of Deposits

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

Deposits with County of Fresno Treasurer	<u>\$ 106,117</u>
Total cash and cash equivalents	<u>\$ 106,117</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>\$ 106,117</u>
Total cash and cash equivalents	<u>\$ 106,117</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:

	<u>July 1, 2006</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2007</u> <u>Balance</u>
Capital assets being depreciated:				
Buildings and systems	\$ 313,756	\$ -	\$ -	\$ 313,756
Improvements other than buildings	<u>212,481</u>	<u>-</u>	<u>-</u>	<u>212,481</u>
Total capital assets being depreciated	526,237	-	-	526,237
Less accumulated depreciation:				
Buildings and systems	(271,465)	(3,670)	-	(275,135)
Improvements other than buildings	<u>(157,231)</u>	<u>(4,076)</u>	<u>-</u>	<u>(161,307)</u>
Total accumulated depreciation	<u>(428,696)</u>	<u>(7,746)</u>	<u>-</u>	<u>(436,442)</u>
Capital Assets, Net	<u>\$ 97,541</u>	<u>\$ (7,746)</u>	<u>\$ -</u>	<u>\$ 89,795</u>

WATERWORKS DISTRICT NO. 38 AND MAINTENANCE DISTRICT NO. 1

COUNTY OF FRESNO, CALIFORNIA

(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS

June 30, 2007

NOTE 4 — INTERFUND TRANSFERS

Interfund transfers during the year ended June 30, 2007, are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
Waterworks District No. 38	\$ 14,563	\$ -
Maintenance District No. 1	-	14,563
Total	<u>\$ 14,563</u>	<u>\$ 14,563</u>

Maintenance District No. 1 is a funding source to cover capital improvements, maintenance and infrastructure replacement for Waterworks District No. 38. Expenditures are paid from Waterworks District No. 38 and a transfer is made from Maintenance District No. 1 to reimburse the costs.

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.

**WATERWORKS DISTRICT NO. 40 AND
MAINTENANCE DISTRICT NO. 3
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**

WATERWORKS DISTRICT NO. 40 AND MAINTENANCE DISTRICT NO. 3
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 business-type activities and each major fund of Waterworks District No. 40 and Maintenance District No. 3 (District), a component unit of County of Fresno, California, 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 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 business-type activities and each major fund of Waterworks District No. 40 and Maintenance District No. 3, 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.

Waterworks District No. 40 and Maintenance District No. 3 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

WATERWORKS DISTRICT NO. 40 AND MAINTENANCE DISTRICT NO. 3**COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)****STATEMENT OF NET ASSETS
June 30, 2006**

	<u>Waterworks District No. 40</u>	<u>Maintenance District No. 3</u>	<u>Total Business-type Activities</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 38,990	\$ 54,410	\$ 93,400
Receivables:			
Accounts	5,429	-	5,429
Interest	313	609	922
Total current assets	<u>44,732</u>	<u>55,019</u>	<u>99,751</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable:			
Land	4,585	-	4,585
Depreciable:			
Buildings	167,086	-	167,086
Improvements other than buildings	45,154	-	45,154
Machinery and equipment	369,816	-	369,816
Less: accumulated depreciation	<u>(358,139)</u>	<u>-</u>	<u>(358,139)</u>
Total noncurrent assets	<u>228,502</u>	<u>-</u>	<u>228,502</u>
Total assets	<u>273,234</u>	<u>55,019</u>	<u>328,253</u>
LIABILITIES			
Current liabilities:			
Accounts payable	<u>14,307</u>	<u>49</u>	<u>14,356</u>
Total liabilities	<u>14,307</u>	<u>49</u>	<u>14,356</u>
NET ASSETS			
Invested in capital assets	228,502	-	228,502
Unrestricted	<u>30,425</u>	<u>54,970</u>	<u>85,395</u>
Total net assets	<u>\$ 258,927</u>	<u>\$ 54,970</u>	<u>\$ 313,897</u>

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

WATERWORKS DISTRICT NO. 40 AND MAINTENANCE DISTRICT NO. 3**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**

	<u>Waterworks District No. 40</u>	<u>Maintenance District No. 3</u>	<u>Total Business-type Activities</u>
Operating revenues:			
Charges for services	\$ 30,827	\$ -	\$ 30,827
Other operating revenues	<u>1,450</u>	<u>13,789</u>	<u>15,239</u>
Total revenues	<u>32,277</u>	<u>13,789</u>	<u>46,066</u>
Operating expenses:			
Insurance	340	-	340
Maintenance - equipment	1,230	-	1,230
Maintenance - buildings and grounds	17,012	-	17,012
Memberships	4	-	4
Office expense	471	81	552
Postage	404	-	404
Professional and specialized services	52,999	915	53,914
Publications and legal notices	8	-	8
Special departmental expenses	7,391	-	7,391
Utilities	10,706	-	10,706
Depreciation	<u>15,583</u>	<u>-</u>	<u>15,583</u>
Total operating expenses	<u>106,148</u>	<u>996</u>	<u>107,144</u>
Operating income (loss)	<u>(73,871)</u>	<u>12,793</u>	<u>(61,078)</u>
Non-operating revenues (expenses):			
Investment earnings	764	2,905	3,669
Property taxes	34,918	-	34,918
Homeowners property tax relief	677	-	677
Federal in-lieu housing	<u>8</u>	<u>-</u>	<u>8</u>
Total non-operating revenues (expenses)	<u>36,367</u>	<u>2,905</u>	<u>39,272</u>
Net income (loss) before transfers	(37,504)	15,698	(21,806)
Transfers in (out):			
Transfers in	45,869	-	45,869
Transfers out	<u>-</u>	<u>(45,869)</u>	<u>(45,869)</u>
Total transfers in (out)	<u>45,869</u>	<u>(45,869)</u>	<u>-</u>
Change in net assets	8,365	(30,171)	(21,806)
Net assets - beginning	<u>250,562</u>	<u>85,141</u>	<u>335,703</u>
Net assets - ending	<u>\$ 258,927</u>	<u>\$ 54,970</u>	<u>\$ 313,897</u>

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

WATERWORKS DISTRICT NO. 40 AND MAINTENANCE DISTRICT NO. 3**COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)****STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2006**

	<u>Waterworks District No. 40</u>	<u>Maintenance District No. 3</u>	<u>Total Business-type Activities</u>
Cash flows from operating activities:			
Cash received from users	\$ 30,892	\$ -	\$ 30,892
Cash paid to suppliers	(83,969)	(947)	(84,916)
Cash received from other operating revenues	<u>1,450</u>	<u>13,789</u>	<u>15,239</u>
Net cash provided by (used in) operating activities	<u>(51,627)</u>	<u>12,842</u>	<u>(38,785)</u>
Cash flows from non-capital financing activities:			
Property taxes received	37,634	-	37,634
Net transfers to other funds	<u>45,869</u>	<u>(45,869)</u>	<u>-</u>
Net cash provided by (used in) non-capital financing activities	<u>83,503</u>	<u>(45,869)</u>	<u>37,634</u>
Cash flows from investing activities:			
Interest on investments	<u>449</u>	<u>2,296</u>	<u>2,745</u>
Net cash provided by (used in) investing activities	<u>449</u>	<u>2,296</u>	<u>2,745</u>
Net increase (decrease) in cash and cash equivalents	32,325	(30,731)	1,594
Cash and cash equivalents - beginning	<u>6,665</u>	<u>85,141</u>	<u>91,806</u>
Cash and cash equivalents - ending	<u>\$ 38,990</u>	<u>\$ 54,410</u>	<u>\$ 93,400</u>

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

Operating income (loss)	\$ (73,871)	\$ 12,793	\$ (61,078)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	15,583	-	15,583
(Increase) decrease in accounts receivable	65	-	65
Increase (decrease) in accounts payable	<u>6,596</u>	<u>49</u>	<u>6,645</u>
Total adjustments	<u>22,244</u>	<u>49</u>	<u>22,293</u>
Net cash provided by (used in) operating activities	<u>\$ (51,627)</u>	<u>\$ 12,842</u>	<u>\$ (38,785)</u>

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

WATERWORKS DISTRICT NO. 40 AND MAINTENANCE DISTRICT NO. 3

**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

Waterworks District No. 40, 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 Shaver Springs. The District is located approximately two miles south of Highway 168, east of Tollhouse Road. The District was formed in 1962, under the provisions of Government Code Section 55000 et. seq., and is governed by the County Board of Supervisors. 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.

On May 2, 1995, the Board also approved the formation of Maintenance District No. 3 (District) as an enterprise fund of the County under the supervision of Streets and Highway Code Section 5820 et. seq. The District is governed by the Board and is a component unit of the County. The function of Maintenance District No. 3 is to provide services for the maintenance and replacement of the water system and pipeline for Waterworks District No. 40. Maintenance District No. 3 is accounted for separately from Waterworks District No. 40. 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.

WATERWORKS DISTRICT NO. 40 AND MAINTENANCE DISTRICT NO. 3

**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.

Both *Waterworks District No. 40* fund and *Maintenance District No. 3* fund are major enterprise funds of the District. The general operations of the District are accounted for in these funds.

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 \$120 of allowance for uncollectible accounts during the period.

WATERWORKS DISTRICT NO. 40 AND MAINTENANCE DISTRICT NO. 3

**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. 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 \$14,356 as of June 30, 2006, is related to certain contract services and payments for utility fees.

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:

Estimated Useful Lives

Buildings and systems	15 - 40 Years
Improvements other than buildings	30 - 60 Years
Machinery and equipment	5 - 50 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."

WATERWORKS DISTRICT NO. 40 AND MAINTENANCE DISTRICT NO. 3

**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.

WATERWORKS DISTRICT NO. 40 AND MAINTENANCE DISTRICT NO. 3
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>\$ 93,400</u>
Total cash and cash equivalents	<u>\$ 93,400</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>\$ 93,400</u>
Total cash and cash equivalents	<u>\$ 93,400</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.

WATERWORKS DISTRICT NO. 40 AND MAINTENANCE DISTRICT NO. 3
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
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:				
Land	\$ 4,585	\$ -	\$ -	\$ 4,585
Total capital assets not being depreciated	<u>4,585</u>	<u>-</u>	<u>-</u>	<u>4,585</u>
Capital assets being depreciated:				
Buildings	167,086	-	-	167,086
Improvements other than buildings	45,154	-	-	45,154
Machinery and equipment	<u>369,816</u>	<u>-</u>	<u>-</u>	<u>369,816</u>
Total capital assets being depreciated	<u>582,055</u>	<u>-</u>	<u>-</u>	<u>582,055</u>
Less accumulated depreciation:				
Buildings	(125,442)	(3,422)	-	(128,864)
Improvements other than buildings	(24,204)	(1,270)	-	(25,474)
Machinery and equipment	<u>(192,911)</u>	<u>(10,889)</u>	<u>-</u>	<u>(203,800)</u>
Total accumulated depreciation	<u>(342,557)</u>	<u>(15,581)</u>	<u>-</u>	<u>(358,138)</u>
Capital Assets, Net	<u>\$ 244,083</u>	<u>\$ (15,581)</u>	<u>\$ -</u>	<u>\$ 228,502</u>

NOTE 4—INTERFUND TRANSFERS

Interfund transfers during the year ended June 30, 2006, are as follows:

	Transfer In	Transfer Out
Waterwork District No. 40	\$ 45,869	\$ -
Maintenance District No. 3	-	45,869
Total	<u>\$ 45,869</u>	<u>\$ 45,869</u>

Maintenance District No. 3 is a funding source to cover capital improvements, maintenance and infrastructure replacement. Expenditures are paid from Waterworks District No. 40 and a transfer is made from Maintenance District No. 3 to reimburse the costs. Specifically, the expenditures for drilling test holes for wells are maintenance at the sewer facility and pumps.

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.

**WATERWORKS DISTRICT NO. 40 AND
MAINTENANCE DISTRICT NO. 3
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**

WATERWORKS DISTRICT NO. 40 AND MAINTENANCE DISTRICT NO. 3
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 business-type activities and each major fund of Waterworks District No. 40 and Maintenance District No. 3 (District), a component unit of County of Fresno, California, 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 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 business-type activities and each major fund of Waterworks District No. 40 and Maintenance District No. 3, 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.

Waterworks District No. 40 and Maintenance District No. 3 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

WATERWORKS DISTRICT NO. 40 AND MAINTENANCE DISTRICT NO. 3**COUNTY OF FRESNO, CALIFORNIA****(A Component Unit of the County of Fresno)****STATEMENT OF NET ASSETS****June 30, 2007**

	<u>Waterworks District No. 40</u>	<u>Maintenance District No. 3</u>	<u>Total Business-type Activities</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 46,164	\$ 43,725	\$ 89,889
Receivables:			
Accounts	11,033	-	11,033
Interest	493	527	1,020
Total current assets	<u>57,690</u>	<u>44,252</u>	<u>101,942</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable:			
Land	4,585	-	4,585
Depreciable:			
Buildings	167,086	-	167,086
Improvements other than buildings	45,154	-	45,154
Machinery and equipment	369,816	-	369,816
Less: accumulated depreciation	<u>(373,722)</u>	<u>-</u>	<u>(373,722)</u>
Total noncurrent assets	<u>212,919</u>	<u>-</u>	<u>212,919</u>
Total assets	<u>270,609</u>	<u>44,252</u>	<u>314,861</u>
LIABILITIES			
Current liabilities:			
Accounts payable	<u>8,114</u>	<u>365</u>	<u>8,479</u>
Total liabilities	<u>8,114</u>	<u>365</u>	<u>8,479</u>
NET ASSETS			
Invested in capital assets	212,919	-	212,919
Unrestricted	<u>49,576</u>	<u>43,887</u>	<u>93,463</u>
Total net assets	<u>\$ 262,495</u>	<u>\$ 43,887</u>	<u>\$ 306,382</u>

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

WATERWORKS DISTRICT NO. 40 AND MAINTENANCE DISTRICT NO. 3**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**

	<u>Waterworks District No. 40</u>	<u>Maintenance District No. 3</u>	<u>Total Business-type Activities</u>
Operating revenues:			
Charges for services	\$ 39,109	\$ -	\$ 39,109
Other operating revenues	1,450	13,789	15,239
Total revenues	<u>40,559</u>	<u>13,789</u>	<u>54,348</u>
Operating expenses:			
Insurance	853	-	853
Maintenance - equipment	2,191	-	2,191
Maintenance - buildings and grounds	15,701	-	15,701
Memberships	17	-	17
Office expense	344	65	409
Postage	473	-	473
Professional and specialized services	57,848	2,161	60,009
Publications and legal notices	33	-	33
Special departmental expenses	7,088	-	7,088
Utilities	12,252	-	12,252
Depreciation	15,583	-	15,583
Total operating expenses	<u>112,383</u>	<u>2,226</u>	<u>114,609</u>
Operating income (loss)	<u>(71,824)</u>	<u>11,563</u>	<u>(60,261)</u>
Non-operating revenues (expenses):			
Investment earnings	1,360	2,354	3,714
Property taxes	48,061	-	48,061
Homeowners property tax relief	699	-	699
Federal in-lieu housing	272	-	272
Total non-operating revenues (expenses)	<u>50,392</u>	<u>2,354</u>	<u>52,746</u>
Net income (loss) before transfers	(21,432)	13,917	(7,515)
Transfers in (out):			
Transfers in	25,000	-	25,000
Transfers out	-	(25,000)	(25,000)
Total transfers in (out)	<u>25,000</u>	<u>(25,000)</u>	<u>-</u>
Change in net assets	3,568	(11,083)	(7,515)
Net assets - beginning	<u>258,927</u>	<u>54,970</u>	<u>313,897</u>
Net assets - ending	<u>\$ 262,495</u>	<u>\$ 43,887</u>	<u>\$ 306,382</u>

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

WATERWORKS DISTRICT NO. 40 AND MAINTENANCE DISTRICT NO. 3**COUNTY OF FRESNO, CALIFORNIA****(A Component Unit of the County of Fresno)****STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2007**

	<u>Waterworks District No. 40</u>	<u>Maintenance District No. 3</u>	<u>Total Business-type Activities</u>
Cash flows from operating activities:			
Cash received from users	\$ 33,505	\$ -	\$ 33,505
Cash paid to suppliers	(102,993)	(1,910)	(104,903)
Cash received from other operating revenues	<u>1,450</u>	<u>13,789</u>	<u>15,239</u>
Net cash provided by (used in) operating activities	<u>(68,038)</u>	<u>11,879</u>	<u>(56,159)</u>
Cash flows from non-capital financing activities:			
Property taxes received	49,032	-	49,032
Net transfers to other funds	<u>25,000</u>	<u>(25,000)</u>	<u>-</u>
Net cash provided by (used in) non-capital financing activities	<u>74,032</u>	<u>(25,000)</u>	<u>49,032</u>
Cash flows from investing activities:			
Interest on investments	<u>1,180</u>	<u>2,436</u>	<u>3,616</u>
Net cash provided by (used in) investing activities	<u>1,180</u>	<u>2,436</u>	<u>3,616</u>
Net increase (decrease) in cash and cash equivalents	7,174	(10,685)	(3,511)
Cash and cash equivalents - beginning	<u>38,990</u>	<u>54,410</u>	<u>93,400</u>
Cash and cash equivalents - ending	<u>\$ 46,164</u>	<u>\$ 43,725</u>	<u>\$ 89,889</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	\$ (71,824)	\$ 11,563	\$ (60,261)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	15,583	-	15,583
(Increase) decrease in accounts receivable	(5,604)	-	(5,604)
Increase (decrease) in accounts payable	<u>(6,193)</u>	<u>316</u>	<u>(5,877)</u>
Total adjustments	<u>3,786</u>	<u>316</u>	<u>4,102</u>
Net cash provided by (used in) operating activities	<u>\$ (68,038)</u>	<u>\$ 11,879</u>	<u>\$ (56,159)</u>

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

WATERWORKS DISTRICT NO. 40 AND MAINTENANCE DISTRICT NO. 3

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

Waterworks District No. 40, 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 Shaver Springs. The District is located approximately two miles south of Highway 168, east of Tollhouse Road. The District was formed in 1962, under the provisions of Government Code Section 55000 et. seq., and is governed by the County Board of Supervisors. 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.

On May 2, 1995, the Board also approved the formation of Maintenance District No. 3 (District) as an enterprise fund of the County under the supervision of Streets and Highway Code Section 5820 et. seq. The District is governed by the Board and is a component unit of the County. The function of Maintenance District No. 3 is to provide services for the maintenance and replacement of the water system and pipeline for Waterworks District No. 40. Maintenance District No. 3 is accounted for separately from Waterworks District No. 40. 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.

WATERWORKS DISTRICT NO. 40 AND MAINTENANCE DISTRICT NO. 3

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.

Both *Waterworks District No. 40* fund and *Maintenance District No. 3* fund are major enterprise funds of the District. The general operations of the District are accounted for in these funds.

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.

WATERWORKS DISTRICT NO. 40 AND MAINTENANCE DISTRICT NO. 3
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. 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 \$8,479 as of June 30, 2007, is related to certain contract services and payments for utility fees.

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:

Estimated Useful Lives

Buildings and systems	15 - 40 Years
Improvements other than buildings	30 - 60 Years
Machinery and equipment	5 - 50 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."

WATERWORKS DISTRICT NO. 40 AND MAINTENANCE DISTRICT NO. 3
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.

WATERWORKS DISTRICT NO. 40 AND MAINTENANCE DISTRICT NO. 3
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>\$ 89,889</u>
Total cash and cash equivalents	<u>\$ 89,889</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>\$ 89,889</u>
Total cash and cash equivalents	<u>\$ 89,889</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.

WATERWORKS DISTRICT NO. 40 AND MAINTENANCE DISTRICT NO. 3
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
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:				
Land	\$ 4,585	\$ -	\$ -	\$ 4,585
Total capital assets not being depreciated	<u>4,585</u>	<u>-</u>	<u>-</u>	<u>4,585</u>
Capital assets being depreciated:				
Buildings	167,086	-	-	167,086
Improvements other than buildings	45,154	-	-	45,154
Machinery and equipment	369,816	-	-	369,816
Total capital assets being depreciated	<u>582,056</u>	<u>-</u>	<u>-</u>	<u>582,056</u>
Less accumulated depreciation:				
Buildings	(128,864)	(3,422)	-	(132,286)
Improvements other than buildings	(25,474)	(1,270)	-	(26,744)
Machinery and equipment	(203,801)	(10,891)	-	(214,692)
Total accumulated depreciation	<u>(358,139)</u>	<u>(15,583)</u>	<u>-</u>	<u>(373,722)</u>
Capital Assets, Net	<u>\$ 228,502</u>	<u>\$ (15,583)</u>	<u>\$ -</u>	<u>\$ 212,919</u>

NOTE 4 — INTERFUND TRANSFERS

Interfund transfers during the year ended June 30, 2007, are as follows:

	Transfer In	Transfer Out
Waterworks District No. 40	\$ 25,000	\$ -
Maintenance District No. 3	<u>-</u>	<u>25,000</u>
Total	<u>\$ 25,000</u>	<u>\$ 25,000</u>

Maintenance District No. 3 is a funding source to cover capital improvements, maintenance and infrastructure replacement. Expenditures are paid from Waterworks District No. 40 and a transfer is made from Maintenance District No. 3 to reimburse the costs. Specifically, the expenditures for drilling test holes for wells are maintenance at the sewer facility and pumps.

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.

**WATERWORKS DISTRICT NO. 41
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**

WATERWORKS DISTRICT NO. 41
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 business-type activities and each major fund of Waterworks District No. 41 (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 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 business-type activities and each major fund of Waterworks District No. 41, 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.

Waterworks District No. 41 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

WATERWORKS DISTRICT NO. 41
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2006

	Water	Sewer	Total Business-type Activities
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,265,287	\$ 460,563	\$ 1,725,850
Restricted cash and investments	310,724	222,300	533,024
Receivables:			
Accounts	22,675	17,244	39,919
Interest	15,959	6,707	22,666
Total current assets	<u>1,614,645</u>	<u>706,814</u>	<u>2,321,459</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable:			
Land	141,213	-	141,213
Depreciable:			
Buildings	109,097	85,254	194,351
Building improvements	4,961,810	3,930,236	8,892,046
Machinery and equipment	129,823	33,022	162,845
Less: accumulated depreciation	<u>(2,956,514)</u>	<u>(1,585,909)</u>	<u>(4,542,423)</u>
Total noncurrent assets	<u>2,385,429</u>	<u>2,462,603</u>	<u>4,848,032</u>
Total assets	<u>4,000,074</u>	<u>3,169,417</u>	<u>7,169,491</u>
LIABILITIES			
Current liabilities:			
Accounts payable	46,382	54,669	101,051
Excess taxes payable	101,514	24,770	126,284
Interest payable	2,600	2,700	5,300
General obligation bonds	<u>25,000</u>	<u>25,000</u>	<u>50,000</u>
Total current liabilities	<u>175,496</u>	<u>107,139</u>	<u>282,635</u>
Noncurrent liabilities:			
General obligation bonds payable	<u>55,000</u>	<u>55,000</u>	<u>110,000</u>
Total noncurrent liabilities	<u>55,000</u>	<u>55,000</u>	<u>110,000</u>
Total liabilities	<u>230,496</u>	<u>162,139</u>	<u>392,635</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,305,429	2,382,603	4,688,032
Restricted	310,724	222,300	533,024
Unrestricted	<u>1,153,425</u>	<u>402,375</u>	<u>1,555,800</u>
Total net assets	<u>\$ 3,769,578</u>	<u>\$ 3,007,278</u>	<u>\$ 6,776,856</u>

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

WATERWORKS DISTRICT NO. 41
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

	<u>Water</u>	<u>Sewer</u>	<u>Total Business-type Activities</u>
Operating revenues:			
Charges for services	\$ 132,342	\$ 99,336	\$ 231,678
Other operating revenues	<u>22,487</u>	<u>10,331</u>	<u>32,818</u>
Total revenues	<u>154,829</u>	<u>109,667</u>	<u>264,496</u>
Operating expenses:			
Telephone	894	-	894
Liability insurance	12,354	1,820	14,174
Maintenance - equipment	22,482	10,561	33,043
Maintenance - building and grounds	130,381	44,786	175,167
Office expense	2,150	513	2,663
Postage	1,798	1,532	3,330
Professional services	198,408	73,492	271,900
Small tools and equipment	1	-	1
Special departmental expense	780	6,235	7,015
Utilities	35,464	5,578	41,042
Depreciation	101,190	89,728	190,918
General and administrative	<u>7,021</u>	<u>5,208</u>	<u>12,229</u>
Total operating expenses	<u>512,923</u>	<u>239,453</u>	<u>752,376</u>
Operating income (loss)	<u>(358,094)</u>	<u>(129,786)</u>	<u>(487,880)</u>
Non-operating revenues (expenses):			
Investment earnings	55,709	26,882	82,591
Property tax taxes	294,995	97,098	392,093
Federal in-lieu housing	62	14	76
Homeowners property tax relief	4,923	1,051	5,974
Interest expense	(7,398)	(7,661)	(15,059)
GANN limit refunds	<u>(74,324)</u>	<u>(24,770)</u>	<u>(99,094)</u>
Total non-operating revenues (expenses)	<u>273,967</u>	<u>92,614</u>	<u>366,581</u>
Change in net assets	(84,127)	(37,172)	(121,299)
Net assets - beginning	<u>3,853,705</u>	<u>3,044,450</u>	<u>6,898,155</u>
Net assets - ending	<u>\$ 3,769,578</u>	<u>\$ 3,007,278</u>	<u>\$ 6,776,856</u>

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

WATERWORKS DISTRICT NO. 41
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

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

	Water	Sewer	Total Business-type Activities
Cash flows from operating activities:			
Cash received from users	\$ 129,918	\$ 99,018	\$ 228,936
Cash paid to suppliers	(443,334)	(114,065)	(557,399)
Other operating receipts	22,487	10,331	32,818
Net cash provided by (used in) operating activities	<u>(290,929)</u>	<u>(4,716)</u>	<u>(295,645)</u>
Cash flows from non-capital financing activities:			
Property taxes received	321,337	102,659	423,996
Cash refund to the users for excess taxes	<u>(102,937)</u>	<u>-</u>	<u>(102,937)</u>
Net cash provided by (used in) non-capital financing activities	<u>218,400</u>	<u>102,659</u>	<u>321,059</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(27,266)	(438,433)	(465,699)
Principal paid on bonds	(25,000)	(25,000)	(50,000)
Interest paid on bonds	<u>(8,211)</u>	<u>(8,505)</u>	<u>(16,716)</u>
Net cash provided by (used in) capital financing activities	<u>(60,477)</u>	<u>(471,938)</u>	<u>(532,415)</u>
Cash flows from investing activities:			
Interest on investments	<u>48,799</u>	<u>27,157</u>	<u>75,956</u>
Net cash provided by (used in) investing activities	<u>48,799</u>	<u>27,157</u>	<u>75,956</u>
Net increase (decrease) in cash and cash equivalents	(84,207)	(346,838)	(431,045)
Cash and cash equivalents - beginning	1,660,218	1,029,701	2,689,919
Cash and cash equivalents - ending	<u>\$ 1,576,011</u>	<u>\$ 682,863</u>	<u>\$ 2,258,874</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ (358,094)	\$ (129,786)	\$ (487,880)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	101,190	89,728	190,918
(Increase) decrease in accounts receivable	(2,425)	(318)	(2,743)
(Increase) decrease in prepaid assets	4,493	1,656	6,148
Increase (decrease) in accounts payable	<u>(36,093)</u>	<u>34,004</u>	<u>(2,088)</u>
Total adjustments	<u>67,165</u>	<u>125,070</u>	<u>192,235</u>
Net cash provided by (used in) operating activities	<u>\$ (290,929)</u>	<u>\$ (4,716)</u>	<u>\$ (295,645)</u>

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

WATERWORKS DISTRICT NO. 41
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

Waterworks District No. 41, 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 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 on July 18, 1972, under the provisions of Government Code Section 55000 et. seq., to provide sewer service and water for domestic use and fire protection purposes for 842 developing properties south of Shaver Lake. 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.

WATERWORKS DISTRICT NO. 41
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.

The District reports the following major enterprise funds:

The *Water Fund* accounts for the District's operation on water service for domestic use and fire protection purpose.

The *Sewer Fund* accounts for the District's operation on sewer service for domestic use and fire protection purpose.

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.

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

WATERWORKS DISTRICT NO. 41
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. 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 \$101,051 as of June 30, 2006, is related to certain contract services and payments for utility fees.

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 for the *water fund*:

<u>Types</u>	<u>Useful Lives</u>
Property and structures	10-40 Years
Pumps	25-75 Years
Intangible plant	15 Years
Services	10-30 Years
Telemetry system	15 Years
Tanks, wells, and meters	25-30 Years
Truck, shop, and field equipment	8-10 Years

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

	<u>Useful Lives</u>
Waste building and structures	40 Years
Waste collection facilities	5-75 Years
Waste treatment facilities	10-40 Years
Waste shop and field equipment	5-10 Years
Waste disposal facilities	40 Years
Waste water master plan	15 Years
Telemetry system	15 Years

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

WATERWORKS DISTRICT NO. 41
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. Long-Term Liabilities

Long-term debt and other long-term obligations are reported as liabilities in the proprietary fund statements and the government-wide statements (either governmental activities or business-type activities, as applicable). Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premiums and discounts. Issuance costs are reported as deferred charges.

In the governmental fund financial statements, bond premiums, discounts and issuance costs are recognized during the current period. The face amount of debt issued and any premiums received are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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."

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.

WATERWORKS DISTRICT NO. 41
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 (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.

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.

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	\$ 2,258,874
Total cash and cash equivalents	<u>\$ 2,258,874</u>

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

Statement of net assets:

Unrestricted cash and cash equivalents	\$ 1,725,850
Restricted cash and cash equivalents	<u>533,024</u>
Total cash and cash equivalents	<u>\$ 2,258,874</u>

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

WATERWORKS DISTRICT NO. 41
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 for the *water* fund:

	July 1, 2005 Balance	Additions	Deletions	Reclassifying	June 30, 2006 Balance
Capital asset not being depreciated:					
Land	\$ 141,213	\$ -	\$ -	\$ -	\$ 141,213
Total capital asset not being depreciated	<u>141,213</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,213</u>
Capital asset being depreciated:					
Buildings	109,097	-	-	-	109,097
Buildings improvement	4,961,810	-	-	-	4,961,810
Machinery and equipment	102,557	27,266	-	-	129,823
Total capital asset being depreciated	<u>5,173,464</u>	<u>27,266</u>	<u>-</u>	<u>-</u>	<u>5,200,730</u>
Less accumulated depreciation:					
Buildings	(46,131)	(2,924)	-	-	(49,055)
Buildings improvement	(2,717,561)	(92,227)	-	-	(2,809,788)
Machinery and equipment	(91,630)	(6,041)	-	-	(97,671)
Total accumulated depreciation	<u>(2,855,322)</u>	<u>(101,192)</u>	<u>-</u>	<u>-</u>	<u>(2,956,514)</u>
Capital Assets, Net	<u>\$ 2,459,355</u>	<u>\$ (73,926)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,385,429</u>

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

WATERWORKS DISTRICT NO. 41
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 3— CAPITAL ASSETS (Continued)

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

	July 1, 2005 Balance	Additions	Deletions	Reclassifying	June 30, 2006 Balance
Capital asset not being depreciated:					
Construction in progress	\$ 32,186	\$ -	\$ -	\$ (32,186)	\$ -
Total capital asset not being depreciated	<u>32,186</u>	<u>-</u>	<u>-</u>	<u>(32,186)</u>	<u>-</u>
Capital asset being depreciated:					
Buildings	85,254	-	-	-	85,254
Buildings improvement	3,459,615	438,435	-	32,186	3,930,236
Machinery and equipment	<u>33,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,022</u>
Total capital asset being depreciated	<u>3,577,891</u>	<u>438,435</u>	<u>-</u>	<u>32,186</u>	<u>4,048,512</u>
Less accumulated depreciation:					
Buildings	(20,298)	(2,118)	-	-	(22,416)
Buildings improvement	(1,445,620)	(85,559)	-	-	(1,531,179)
Machinery and equipment	<u>(30,262)</u>	<u>(2,052)</u>	<u>-</u>	<u>-</u>	<u>(32,314)</u>
Total accumulated depreciation	<u>(1,496,180)</u>	<u>(89,729)</u>	<u>-</u>	<u>-</u>	<u>(1,585,909)</u>
Capital Assets, Net	<u>\$ 2,113,897</u>	<u>\$ 348,706</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,462,603</u>

NOTE 4— LONG-TERM DEBT

The schedule of long-term liabilities for the year ended June 30, 2006, is as follows:

	July 1, 2005 Balance	Additions	Retirement	June 30, 2006 Balance	Due within One Year
General Obligation Bonds:					
Water	\$ 105,000	\$ -	\$ (25,000)	\$ 80,000	\$ 25,000
Sewer	<u>105,000</u>	<u>-</u>	<u>(25,000)</u>	<u>80,000</u>	<u>25,000</u>
Total	<u>\$ 210,000</u>	<u>\$ -</u>	<u>\$ (50,000)</u>	<u>\$ 160,000</u>	<u>\$ 50,000</u>

The District issued \$600,000 in general obligation bonds in January 1989. The bonds began maturing on February 1, 1990, and mature every year thereafter until the final principal amounts are paid on February 1, 2009. The proceeds were split between the Waterworks 41 Sewer and Waterworks 41 Water enterprise funds. Interest rates are ranges from 7.8% to 8.1%.

Annual debt service requirements to maturity for general obligation bonds are as follows:

	Water		Sewer		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 25,000	\$ 6,240	\$ 25,000	\$ 6,480	\$ 50,000	\$ 12,720
2008	25,000	4,290	25,000	4,455	50,000	8,745
2009	<u>30,000</u>	<u>2,340</u>	<u>30,000</u>	<u>2,430</u>	<u>60,000</u>	<u>4,770</u>
Total	<u>\$ 80,000</u>	<u>\$ 12,870</u>	<u>\$ 80,000</u>	<u>\$ 13,365</u>	<u>\$ 160,000</u>	<u>\$ 26,235</u>

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

WATERWORKS DISTRICT NO. 41
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2006

NOTE 5— EXCESS TAXES PAYABLE

The District's GANN appropriation limit (Note G) has been exceeded for the past six fiscal years beginning with the fiscal year 2000/2001. According to Article XIII B of the California Constitution, if the excess appropriations of two consecutive years combined still exceed the limit, the excess must be returned by either a revision of the tax rates or fee schedules within the next two fiscal years. The excess taxes per year are as follows:

2000/2001	\$ 32,414
2001/2002	16,073
2002/2003	23,181
2003/2004	31,269
2004/2005	27,190
2005/2006	<u>99,094</u>
Total excess taxes	<u>\$ 229,221</u>

The District's managers are currently developing a proposal for the Board of Supervisors, whereby the excess proceeds of taxes will be returned or credited in accordance with the California Constitution, Article XIII B.

On May 10, 2006, the District returned \$102,937 of excess proceeds to the taxpayers of the District, but during the fiscal year incurred \$99,094 additional tax liability. Therefore, as of June 30, 2006, the District's liability was reduced to the current amount payable for fiscal year 2005/2006 of \$126,284, which includes unpaid excess taxes from fiscal year 2004/2005.

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.

**WATERWORKS DISTRICT NO. 41
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**

WATERWORKS DISTRICT NO. 41
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 business-type activities and each major fund of Waterworks District No. 41 (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 the business-type activities and each major fund of Waterworks District No. 41, 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.

Waterworks District No. 41 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

WATERWORKS DISTRICT NO. 41
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2007

	Water	Sewer	Total Business-type Activities
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,515,318	\$ 487,573	\$ 2,002,891
Restricted cash and investments	324,240	231,893	556,133
Receivables:			
Accounts	22,247	18,519	40,766
Interest	22,487	8,811	31,298
Total current assets	<u>1,884,292</u>	<u>746,796</u>	<u>2,631,088</u>
Noncurrent assets:			
Capital assets:			
Nondepreciable:			
Land	141,213	-	141,213
Depreciable:			
Buildings	109,097	85,254	194,351
Building improvements	4,961,810	3,930,236	8,892,046
Machinery and equipment	129,823	33,022	162,845
Less: accumulated depreciation	<u>(3,055,438)</u>	<u>(1,686,843)</u>	<u>(4,742,281)</u>
Total noncurrent assets	<u>2,286,505</u>	<u>2,361,669</u>	<u>4,648,174</u>
Total assets	<u>4,170,797</u>	<u>3,108,465</u>	<u>7,279,262</u>
LIABILITIES			
Current liabilities:			
Accounts payable	47,950	28,804	76,754
Interest payable	1,788	1,856	3,644
General obligation bonds	<u>25,000</u>	<u>25,000</u>	<u>50,000</u>
Total current liabilities	<u>74,738</u>	<u>55,660</u>	<u>130,398</u>
Noncurrent liabilities:			
General obligation bonds payable	<u>30,000</u>	<u>30,000</u>	<u>60,000</u>
Total noncurrent liabilities	<u>30,000</u>	<u>30,000</u>	<u>60,000</u>
Total liabilities	<u>104,738</u>	<u>85,660</u>	<u>190,398</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,231,505	2,306,669	4,538,174
Restricted:			
Debt service	324,240	231,893	556,133
Capital projects	291,468	24,770	316,238
Unrestricted	<u>1,218,846</u>	<u>459,473</u>	<u>1,678,319</u>
Total net assets	<u>\$ 4,066,059</u>	<u>\$ 3,022,805</u>	<u>\$ 7,088,864</u>

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

WATERWORKS DISTRICT NO. 41
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

	<u>Water</u>	<u>Sewer</u>	<u>Total Business-type Activities</u>
Operating revenues:			
Charges for services	\$ 142,848	\$ 106,323	\$ 249,171
Other operating revenues	<u>17,656</u>	<u>8,682</u>	<u>26,338</u>
Total revenues	<u>160,504</u>	<u>115,005</u>	<u>275,509</u>
Operating expenses:			
Telephone	558	-	558
Liability insurance	6,624	3,203	9,827
Maintenance - equipment	20,975	12,514	33,489
Maintenance - building and grounds	48,366	18,795	67,161
Office expense	1,778	1,001	2,779
Postage	1,142	1,510	2,652
Professional services	221,371	109,433	330,804
Small tools and equipment	110	-	110
Special departmental expense	1,976	11,243	13,219
Utilities	45,611	3,020	48,631
Depreciation	98,925	100,934	199,859
General and administrative	<u>13,566</u>	<u>4,127</u>	<u>17,693</u>
Total operating expenses	<u>461,002</u>	<u>265,780</u>	<u>726,782</u>
Operating income (loss)	<u>(300,498)</u>	<u>(150,775)</u>	<u>(451,273)</u>
Non-operating revenues (expenses):			
Investment earnings	81,711	32,981	114,692
Property tax taxes	414,136	112,796	526,932
Federal in-lieu housing	61	14	75
Homeowners property tax relief	5,225	1,137	6,362
Interest expense	<u>(5,668)</u>	<u>(5,396)</u>	<u>(11,064)</u>
Total non-operating revenues (expenses)	<u>495,465</u>	<u>141,532</u>	<u>636,997</u>
Change in net assets	194,967	(9,243)	185,724
Net assets - beginning	<u>3,769,578</u>	<u>3,007,278</u>	<u>6,776,856</u>
Prior period adjustment	<u>101,514</u>	<u>24,770</u>	<u>126,284</u>
Net assets - ending	<u>\$ 4,066,059</u>	<u>\$ 3,022,805</u>	<u>\$ 7,088,864</u>

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

WATERWORKS DISTRICT NO. 41
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

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

	Water	Sewer	Total Business-type Activities
Cash flows from operating activities:			
Cash received from users	\$ 143,276	\$ 105,048	\$ 248,324
Cash paid to suppliers	(360,509)	(190,711)	(551,220)
Other operating receipts	<u>17,656</u>	<u>8,682</u>	<u>26,338</u>
Net cash provided by (used in) operating activities	<u>(199,577)</u>	<u>(76,981)</u>	<u>(276,558)</u>
Cash flows from non-capital financing activities:			
Property taxes received	<u>419,421</u>	<u>113,947</u>	<u>533,368</u>
Net cash provided by (used in) non-capital financing activities	<u>419,421</u>	<u>113,947</u>	<u>533,368</u>
Cash flows from capital and related financing activities:			
Principal paid on bonds	(25,000)	(25,000)	(50,000)
Interest paid on bonds	<u>(6,480)</u>	<u>(6,240)</u>	<u>(12,720)</u>
Net cash provided by (used in) capital financing activities	<u>(31,480)</u>	<u>(31,240)</u>	<u>(62,720)</u>
Cash flows from investing activities:			
Interest on investments	<u>75,183</u>	<u>30,877</u>	<u>106,060</u>
Net cash provided by (used in) investing activities	<u>75,183</u>	<u>30,877</u>	<u>106,060</u>
Net increase (decrease) in cash and cash equivalents	263,547	36,603	300,150
Cash and cash equivalents - beginning	<u>1,576,011</u>	<u>682,863</u>	<u>2,258,874</u>
Cash and cash equivalents - ending	<u><u>\$ 1,839,558</u></u>	<u><u>\$ 719,466</u></u>	<u><u>\$ 2,559,024</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	\$ (300,498)	\$ (150,775)	\$ (451,273)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	98,925	100,934	199,859
(Increase) decrease in accounts receivable	428	(1,275)	(847)
Increase (decrease) in accounts payable	<u>1,568</u>	<u>(25,865)</u>	<u>(24,297)</u>
Total adjustments	<u>100,921</u>	<u>73,794</u>	<u>174,715</u>
Net cash provided by (used in) operating activities	<u><u>\$ (199,577)</u></u>	<u><u>\$ (76,981)</u></u>	<u><u>\$ (276,558)</u></u>

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

WATERWORKS DISTRICT NO. 41
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

Waterworks District No. 41, 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 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 on July 18, 1972, under the provisions of Government Code Section 55000 et. seq., to provide sewer service and water for domestic use and fire protection purposes for 842 developing properties south of Shaver Lake. 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.

WATERWORKS DISTRICT NO. 41
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.

The District reports the following major enterprise funds:

The *Water Fund* accounts for the District's operation on water service for domestic use and fire protection purpose.

The *Sewer Fund* accounts for the District's operation on sewer service for domestic use and fire protection purpose.

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.

WATERWORKS DISTRICT NO. 41
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. 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 \$76,754 as of June 30, 2007, is related to certain contract services and payments for utility fees.

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 for the *water fund*:

<u>Types</u>	<u>Useful Lives</u>
Property and structures	10-40 Years
Pumps	25-75 Years
Intangible plant	15 Years
Services	10-30 Years
Telemetry system	15 Years
Tanks, wells, and meters	25-30 Years
Truck, shop, and field equipment	8-10 Years

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

	<u>Useful Lives</u>
Waste building and structures	40 Years
Waste collection facilities	5-75 Years
Waste treatment facilities	10-40 Years
Waste shop and field equipment	5-10 Years
Waste disposal facilities	40 Years
Waste water master plan	15 Years
Telemetry system	15 Years

WATERWORKS DISTRICT NO. 41
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. Long-Term Liabilities

Long-term debt and other long-term obligations are reported as liabilities in the proprietary fund statements and the government-wide statements (either governmental activities or business-type activities, as applicable). Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premiums and discounts. Issuance costs are reported as deferred charges.

In the governmental fund financial statements, bond premiums, discounts and issuance costs are recognized during the current period. The face amount of debt issued and any premiums received are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

6. 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.”

7. 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.

WATERWORKS DISTRICT NO. 41
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)

7. 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.

8. 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>\$ 2,559,024</u>
Total cash and cash equivalents	<u>\$ 2,559,024</u>

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

Statement of net assets:

Unrestricted cash and cash equivalents	\$ 2,002,891
Restricted cash and cash equivalents	<u>556,133</u>
Total cash and cash equivalents	<u>\$ 2,559,024</u>

WATERWORKS DISTRICT NO. 41
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 for the **water** fund:

	July 1, 2006 Balance	Additions	Deletions	Reclassifying	June 30, 2007 Balance
Capital asset not being depreciated:					
Land	\$ 141,213	\$ -	\$ -	\$ -	\$ 141,213
Total capital asset not being depreciated	<u>141,213</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,213</u>
Capital asset being depreciated:					
Buildings	109,097	-	-	-	109,097
Buildings improvement	4,961,810	-	-	-	4,961,810
Machinery and equipment	<u>129,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,823</u>
Total capital asset being depreciated	<u>5,200,730</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,200,730</u>
Less accumulated depreciation:					
Buildings	(49,055)	(2,923)	-	-	(51,978)
Buildings improvement	(2,809,788)	(89,836)	-	-	(2,899,624)
Machinery and equipment	<u>(97,671)</u>	<u>(6,165)</u>	<u>-</u>	<u>-</u>	<u>(103,836)</u>
Total accumulated depreciation	<u>(2,956,514)</u>	<u>(98,924)</u>	<u>-</u>	<u>-</u>	<u>(3,055,438)</u>
Capital Assets, Net	<u>\$ 2,385,429</u>	<u>\$ (98,924)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,286,505</u>

WATERWORKS DISTRICT NO. 41
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 3 — CAPITAL ASSETS (Continued)

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

	July 1, 2006 Balance	Additions	Deletions	Reclassifying	June 30, 2007 Balance
Capital asset not being depreciated:					
Construction in progress	\$ -	\$ -	\$ -	\$ -	\$ -
Total capital asset not being depreciated	-	-	-	-	-
Capital asset being depreciated:					
Buildings	85,254	-	-	-	85,254
Buildings improvement	3,930,236	-	-	-	3,930,236
Machinery and equipment	33,022	-	-	-	33,022
Total capital asset being depreciated	4,048,512	-	-	-	4,048,512
Less accumulated depreciation:					
Buildings	(22,417)	(2,118)	-	-	(24,535)
Buildings improvement	(1,531,178)	(98,108)	-	-	(1,629,286)
Machinery and equipment	(32,314)	(708)	-	-	(33,022)
Total accumulated depreciation	(1,585,909)	(100,934)	-	-	(1,686,843)
Capital Assets, Net	\$ 2,462,603	\$ (100,934)	\$ -	\$ -	\$ 2,361,669

NOTE 4 — LONG-TERM DEBT

The schedule of long-term liabilities for the year ended June 30, 2007, is as follows:

	July 1, 2006 Balance	Additions	Retirement	June 30, 2007 Balance	Due within One Year
General Obligation Bonds:					
Water	\$ 80,000	\$ -	\$ (25,000)	\$ 55,000	\$ 25,000
Sewer	80,000	-	(25,000)	55,000	25,000
Total	\$ 160,000	\$ -	\$ (50,000)	\$ 110,000	\$ 50,000

The District issued \$600,000 in general obligation bonds in January 1989. The bonds began maturing on February 1, 1990, and mature every year thereafter until the final principal amounts are paid on February 1, 2009. The proceeds were split between the Waterworks 41 Sewer and Waterworks 41 Water enterprise funds. Interest rates are ranges from 7.8% to 8.1%.

Annual debt service requirements to maturity for general obligation bonds are as follows:

	Water		Sewer		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 25,000	\$ 4,290	\$ 25,000	\$ 4,455	\$ 50,000	\$ 8,745
2009	30,000	2,340	30,000	2,430	60,000	4,770
Total	\$ 55,000	\$ 6,630	\$ 55,000	\$ 6,885	\$ 110,000	\$ 13,515

WATERWORKS DISTRICT NO. 41
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2007

NOTE 5 — EXCESS TAXES PAYABLE

The District's GANN appropriation limit has been exceeded for the past three fiscal years beginning with the fiscal year 2004/2005. According to Article XIII B of the California Constitution, if the excess appropriations of two consecutive years combined still exceed the limit, the excess must be returned by either a revision of the tax rates or fee schedules within the next two fiscal years unless the excess is offset by a capital project or designated for a future capital outlay that meets the requirements of Article XIII B Section 9. The excess taxes per year are as follows:

2004/2005	\$ 27,190
2005/2006	99,094
2006/2007	<u>189,954</u>
Total excess taxes	<u>\$ 316,238</u>

As of June 30, 2007, excess tax in totaled \$316,238, however, the District has incurred capital costs and/or has designated future capital projects that exceed this amount. The District is planning to set aside the money for future capital projects according to Article XIII B Section 9 of the California Constitution.

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 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.

NOTE 8 — PRIOR PERIOD ADJUSTMENTS

The District made the following adjustments to the opening net assets at July 1, 2006:

Water Fund:

Excess taxes payable were overstated in prior year.	<u>\$101,514</u>
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Sewer Fund:

Excess taxes payable were overstated in prior year.	<u>\$ 24,770</u>
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**WATERWORKS DISTRICT NO. 42
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**

WATERWORKS DISTRICT NO. 42
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 Waterworks District No. 42 (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 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waterworks District No. 42 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.

Waterworks District No. 42 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 financial statements.

Price Paige & Company

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

WATERWORKS DISTRICT NO. 42
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	\$ 456,565
Receivables:	
Accounts	496
Interest	<u>4,520</u>
Total current assets	<u>461,581</u>

Noncurrent assets:

Capital assets:

Machinery and equipment	285,866
Less: accumulated depreciation	<u>(187,098)</u>
Total noncurrent assets	<u>98,768</u>

Total assets	<u>560,349</u>
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LIABILITIES

Current liabilities:

Accounts payable	<u>6,925</u>
Total current liabilities	<u>6,925</u>

Total liabilities	<u>6,925</u>
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NET ASSETS

Invested in capital assets	98,768
Unrestricted	<u>454,656</u>

Total net assets	<u>\$ 553,424</u>
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WATERWORKS DISTRICT NO. 42
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

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

Operating revenues:	
Charges for services	\$ 66,779
Other operating revenues	249
Total operating revenues	<u>67,028</u>
Operating expenses:	
Liability insurance	1,325
Maintenance - equipment	889
Maintenance - buildings and grounds	1,664
Office expense	3,538
Postage	537
Professional and specialized services	34,353
Specialized departmental expenses	259
Utilities	21,558
Depreciation	<u>9,391</u>
Total operating expenses	<u>73,514</u>
Operating income (loss)	<u>(6,486)</u>
Non-operating revenues:	
Investment earnings	<u>14,591</u>
Total non-operating revenues	<u>14,591</u>
Change in net assets	8,105
Net assets - beginning	<u>545,319</u>
Net assets - ending	<u>\$ 553,424</u>

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

WATERWORKS DISTRICT NO. 42
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	\$ 66,631
Cash paid to suppliers	(67,218)
Other operating receipts	<u>249</u>
Net cash provided by (used in) operating activities	<u>(338)</u>
Cash flows from investing activities:	
Interest on investments	<u>13,104</u>
Net cash provided by (used in) investing activities	<u>13,104</u>
Net increase (decrease) in cash and cash equivalents	12,766
Cash and cash equivalents - beginning	<u>443,799</u>
Cash and cash equivalents - ending	<u><u>\$ 456,565</u></u>

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

Operating income (loss)	\$ (6,486)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation	9,391
(Increase) decrease in accounts receivable	(148)
(Increase) decrease in prepaid assets	520
Increase (decrease) in accounts payable	<u>(3,615)</u>
Total adjustments	<u>6,148</u>
Net cash provided by (used in) operating activities	<u><u>\$ (338)</u></u>

WATERWORKS DISTRICT NO. 42
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

Waterworks District No. 42, 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 serves 105 residential customers and three vacant parcels.

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 on December 26, 1972, under the provisions of Government Code Section 55000 et. seq., to provide water for domestic use and fire protection for the developing area near Alluvial and Highland. 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.

WATERWORKS DISTRICT NO. 42
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. 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.

WATERWORKS DISTRICT NO. 42
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. Assets, Liabilities and Net Assets (Continued)

2. Capital Assets (Continued)

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

<u>Type</u>	<u>Useful Lives</u>
Pumps, mains and hydrants	10-70 Years
Services	30 Years
Intangible plant	25 Years
Telemetry system	15 Years
Property and fence	11-12 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.”

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.

WATERWORKS DISTRICT NO. 42
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. Assets, Liabilities and Net Assets (Continued)

4. 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 XIII 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.

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>\$ 456,565</u>
Total cash and cash equivalents	<u>\$ 456,565</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>\$ 456,565</u>
Total cash and cash equivalents	<u>\$ 456,565</u>

WATERWORKS DISTRICT NO. 42
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:				
Machinery and equipment	\$ 285,866	\$ -	\$ -	\$ 285,866
Total capital assets being depreciated	<u>285,866</u>	<u>-</u>	<u>-</u>	<u>285,866</u>
Less accumulated depreciation:				
Machinery and equipment	(177,707)	(9,391)	-	(187,098)
Total accumulated depreciation	<u>(177,707)</u>	<u>(9,391)</u>	<u>-</u>	<u>(187,098)</u>
Capital Assets, Net	<u>\$ 108,159</u>	<u>\$ (9,391)</u>	<u>\$ -</u>	<u>\$ 98,768</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.

**WATERWORKS DISTRICT NO. 42
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**

WATERWORKS DISTRICT NO. 42
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 Waterworks District No. 42 (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 Waterworks District No. 42 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.

Waterworks District No. 42 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 financial statements.

Price Paige & Company

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

WATERWORKS DISTRICT NO. 42
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	\$ 451,503
Receivables:	
Accounts	11,815
Interest	<u>5,683</u>
Total current assets	<u>469,001</u>

Noncurrent assets:

Capital assets:

Machinery and equipment	294,692
Less: accumulated depreciation	<u>(195,172)</u>
Total noncurrent assets	<u>99,520</u>

Total assets	<u>568,521</u>
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LIABILITIES

Current liabilities:

Accounts payable	<u>8,584</u>
Total current liabilities	<u>8,584</u>

Total liabilities	<u>8,584</u>
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NET ASSETS

Invested in capital assets	99,520
Unrestricted	<u>460,417</u>

Total net assets	<u>\$ 559,937</u>
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WATERWORKS DISTRICT NO. 42
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

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

Operating revenues:	
Charges for services	\$ 78,272
Other operating revenues	249
Total operating revenues	<u>78,521</u>
Operating expenses:	
Liability insurance	1,047
Maintenance - equipment	1,647
Maintenance - buildings and grounds	11,715
Office expense	2,633
Postage	546
Professional and specialized services	35,041
Specialized departmental expenses	259
Utilities	33,097
Depreciation	8,074
Total operating expenses	<u>94,059</u>
Operating income (loss)	<u>(15,538)</u>
Non-operating revenues:	
Investment earnings	<u>22,051</u>
Total non-operating revenues	<u>22,051</u>
Change in net assets	6,513
Net assets - beginning	<u>553,424</u>
Net assets - ending	<u>\$ 559,937</u>

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

WATERWORKS DISTRICT NO. 42
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	\$ 66,953
Cash paid to suppliers	(84,326)
Other operating receipts	<u>249</u>
Net cash provided by (used in) operating activities	<u>(17,124)</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(8,826)</u>
Net cash provided by (used in) capital and related financing activities	<u>(8,826)</u>
Cash flows from investing activities:	
Interest on investments	<u>20,888</u>
Net cash provided by (used in) investing activities	<u>20,888</u>
Net increase (decrease) in cash and cash equivalents	(5,062)
Cash and cash equivalents - beginning	<u>456,565</u>
Cash and cash equivalents - ending	<u><u>\$ 451,503</u></u>

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

Operating income (loss)	\$ (15,538)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation	8,074
(Increase) decrease in accounts receivable	(11,319)
Increase (decrease) in accounts payable	<u>1,659</u>
Total adjustments	<u>(1,586)</u>
Net cash provided by (used in) operating activities	<u><u>\$ (17,124)</u></u>

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

WATERWORKS DISTRICT NO. 42
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

Waterworks District No. 42, 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 serves 105 residential customers and three vacant parcels.

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 on December 26, 1972, under the provisions of Government Code Section 55000 et. seq., to provide water for domestic use and fire protection for the developing area near Alluvial and Highland. 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.

WATERWORKS DISTRICT NO. 42
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. 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.

WATERWORKS DISTRICT NO. 42
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)

2. Capital Assets (Continued)

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

<u>Type</u>	<u>Useful Lives</u>
Pumps, mains and hydrants	10-70 Years
Services	30 Years
Intangible plant	25 Years
Telemetry system	15 Years
Property and fence	11-12 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.”

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.

WATERWORKS DISTRICT NO. 42
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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 (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.

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.

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>\$ 451,503</u>
Total cash and cash equivalents	<u>\$ 451,503</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>\$ 451,503</u>
Total cash and cash equivalents	<u>\$ 451,503</u>

WATERWORKS DISTRICT NO. 42
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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:				
Machinery and equipment	\$ 285,866	\$ 8,826	\$ -	\$ 294,692
Total capital assets being depreciated	285,866	-	-	294,692
Less accumulated depreciation:				
Machinery and equipment	(187,098)	(8,074)	-	(195,172)
Total accumulated depreciation	(187,098)	(8,074)	-	(195,172)
Capital Assets, Net	\$ 98,768	\$ 752	\$ -	\$ 99,520

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.