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

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

For the Year Ended
June 30, 2010

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

June 30, 2010

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PRICE
PAIGE&
COMPANY
ACCOUNTANCY CORPORATION

INDEPENDENT AUDITOR'S REPORT

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

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 1 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 1, as of June 30, 2010, and the respective changes in financial position and cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Price Paige & Company

Clovis, California
June 27, 2011

677 Scott Avenue, Clovis, California 93612
Telephone (559) 299-9540 • *Fax* (559) 299-2344 • *E-mail* ppc@ppcpas.com • www.ppcpas.com

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

STATEMENT OF NET ASSETS
June 30, 2010

ASSETS	
Current assets:	
Cash and investments	$ 53,908
Receivables:	
Interest	248
Total current assets	54,156
Non-current assets:	
Capital assets:	
Depreciable:	
Buildings and improvements	32,922
Machinery and equipment	31,798
Less: accumulated depreciation	(62,684)
Total non-current assets	2,036
Total assets	56,192
LIABILITIES	
Current liabilities:	
Accounts payable	2,213
Due to primary government	3,263
Total liabilities	5,476
NET ASSETS	
Invested in capital assets	2,036
Unrestricted	48,680
Total net assets	$ 50,716

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

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2010

Operating revenues:	
Charges for services	$ 79,122
Total operating revenues	79,122
Operating expenses:	
Insurance	559
Professional services	37,509
Specialized departmental expenses	5,971
General and administrative	4,313
Repairs and maintenance	38,613
Utilities	6,351
Depreciation	382
Total operating expenses	93,698
Operating income (loss)	(14,576)
Non-operating revenues (expenses):	
Investment earnings	817
Property taxes	23,979
Homeowners property tax relief	377
Total non-operating revenues (expenses)	25,173
Change in net assets	10,597
Net assets - beginning	40,119
Net assets - ending	$ 50,716

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

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

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

Cash flows from operating activities:	
Cash received from users	$ 79,122
Cash paid to suppliers	(95,651)
Net cash provided by (used in) operating activities	(16,529)
Cash flows from non-capital financing activities:	
Property taxes received	24,355
Net cash provided by (used in) non-capital financing activities	24,355
Cash flows from investing activities:	
Interest on investments	807
Net cash provided by (used in) investing activities	807
Net increase (decrease) in cash and cash equivalents	8,633
Cash and cash equivalents - beginning	45,275
Cash and cash equivalents - ending	$ 53,908

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

Operating income (loss)	$ (14,576)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	382
Increase (decrease) in accounts payable	(1,032)
Increase (decrease) in due to primary government	(1,303)
Total adjustments	(1,953)
Net cash provided by (used in) operating activities	$ (16,529)

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

B. Basis of Accounting

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

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

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

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. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. New Pronouncements (Continued)

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

D. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

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

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

2. Accounts Payable and Due to Primary Government

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 and due to primary government balances of $2,213 and $3,263, respectively, as of June 30, 2010, are related to certain contract services and payments for utility fees.

3. Capital Assets

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets (Continued)

3. Capital Assets (Continued)

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

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

Equipment Type	Useful Life
Sewer treatment and disposal facility	20 Years
Well	20 Years
Equipment	10 Years

4. Net Assets

Net assets are reported in three categories as follows:

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

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

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

5. Property Taxes

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets (Continued)

5. Property Taxes (Continued)

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

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

6. Use of Estimates

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

NOTE 2 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2010, consist of the following:

Deposits with County of Fresno Treasurer	$ 53,908
Total cash and cash equivalents	$ 53,908

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	$ 53,908
Total cash and cash equivalents	$ 53,908

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, 2010.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010, was as follows:

	July 1, 2009 Balance	Additions	Retirements	June 30, 2010 Balance
Capital assets being depreciated:				
Buildings and improvements	$ 32,922	$ -	$ -	$ 32,922
Machinery and equipment	31,798	-	-	31,798
Total capital assets being depreciated	64,720	-	-	64,720
Less accumulated depreciation:				
Buildings and improvements	(30,505)	(381)	-	(30,886)
Machinery and equipment	(31,798)	-	-	(31,798)
Total accumulated depreciation	(62,303)	(381)	-	(62,684)
Capital Assets, Net	$ 2,417	$ (381)	$ -	$ 2,036

NOTE 4 – RISK MANAGEMENT

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

NOTE 5 – COMMITMENTS AND CONTIGENCIES

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

COUNTY SERVICE AREA NO. 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, 2010

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

June 30, 2010

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PRICE PAIGE & COMPANY
ACCOUNTANCY CORPORATION

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 and each major fund of County Service Area No. 2 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2010, 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. 2, as of June 30, 2010, and the respective changes in financial position and the respective budgetary comparison for the Special Revenue Fund, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Price Paige & Company

Clovis, California
June 27, 2011

677 Scott Avenue, Clovis, California 93612
Telephone (559) 299-9540 • *Fax* (559) 299-2344 • *E-mail* ppc@ppcpas.com • www.ppcpas.com

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

STATEMENT OF NET ASSETS
June 30, 2010

ASSETS		
Current assets:		
Cash and equivalents	$	12,614
Interest receivable		47
Total current assets		12,661
Noncurrent assets:		
Capital assets, net of accumulated depreciation:		
Buildings and improvements		63,772
Total noncurrent assets		63,772
Total assets		76,433
LIABILITIES		
Current liabilities:		
Accounts payable		225
Due to primary government		2,081
Total liabilities		2,306
NET ASSETS		
Invested in capital assets		63,772
Unrestricted		10,355
Total net assets	$	74,127

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

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

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Expenses:	
Public ways and facilities	$ 30,101
Total program expenses	30,101
Program revenues:	
Charges for services	29,481
Net program revenue	(620)
General revenues:	
Property taxes	8,006
Unrestricted investment earnings	59
Miscellaneous	120
Total general revenues	8,185
Change in net assets	7,565
Net assets - beginning	66,562
Net assets - ending	$ 74,127

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

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

ASSETS		
Cash and cash equivalents	$	12,614
Interest receivable		47
Total assets	$	12,661
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	$	225
Due to primary government		2,081
Total liabilities		2,306
Fund balances:		
Unreserved		10,355
Total fund balance		10,355
Total liabilities and fund balance	$	12,661

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

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2010

Fund balance - governmental funds	$	10,355
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets are not recorded in governmental fund types but recorded in government-wide statement to conform with GAAP accounting requirements.		63,772
Net assets of governmental activity	$	74,127

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

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

Revenues:	
Property taxes - secured and unsecured	$ 8,006
Service-type property assessments	29,481
Investment earnings	59
Aid from other government agencies:	
State	120
Total revenues	37,666
Expenditures:	
Current:	
Public ways and facilities:	
Maintenance - building and grounds	16,794
Professional services	5,583
PeopleSoft financials charges	979
Utilities	2,174
Total expenditures	25,530
Changes in fund balance	12,136
Fund balance - beginning	(1,781)
Fund balance - ending	$ 10,355

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

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Net changes in fund balance - total governmental funds	$	12,136
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount of current year depreciation expense is $4,571. There were no capital asset additions in the current period.		(4,571)
Change in net assets of governmental activities	$	7,565

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

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

BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance - July 1, 2009	$ 10,711	$ 10,711	$ (552)	$ (11,263)
Resources (inflows):				
Property taxes - secured and unsecured	9,000	9,000	8,007	(993)
Interest	100	100	48	(52)
Aid from other government agencies:				
State	-	-	120	120
Service type property assessments	29,499	29,499	29,481	(18)
Amounts available from appropriations	38,599	38,599	37,656	(943)
Charges to Appropriations (outflows):				
Maintenance - building/grounds	28,500	28,500	26,130	2,370
Professional services	5,400	5,400	3,911	1,489
PeopleSoft financials charges	1,100	1,100	979	121
Utilities	-	-	3,940	(3,940)
Total charges to appropriations	35,000	35,000	34,960	40
Budgetary Fund Balance - June, 30 2010	$ 14,310	$ 14,310	$ 2,144	$ (12,166)

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

Sources/inflows of resources:	
Actual amounts (budgetary basis) "available from appropriations" from the budgetary comparison schedule not including fund balance	$ 37,656
Differences - budget to GAAP	
Modified accrual basis of accounting to budgetary basis of accounting	10
Total revenues as reported on the statement of revenues and expenditures and changes in fund balance	$ 37,666
Uses/outflows of resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 34,960
Differences - budget to GAAP	
Modified accrual basis of accounting to budgetary basis of accounting	(9,430)
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	$ 25,530

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

B. Government-Wide and Fund Financial Statements

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

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

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

The District reports the following major governmental funds:

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. The District has not determined its effect on the financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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. Accounts Payable and Due to Primary Government

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 and due to primary government balances of $225 and $2,081, respectively, as of June 30, 2010, are related to certain contract services and payments for utility fees.

3. Capital Assets

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

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

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

Buildings and Improvements	Useful Life
Playground equipment improvements	25 Years
Telephone pole and chain fence	15 Years

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Equity

Fund Balance

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

Net Assets

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

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

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

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

5. Property Taxes

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Property Taxes (Continued)

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

6. Use of Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes in governmental funds. Encumbrance accounting is used to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at the time are reported as reservations of fund balance for subsequent year expenditures. The District did not have any outstanding encumbrances at June 30, 2010.

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

B. Excess of Expenditures Over Appropriations

The District incurred expenditures in excess of appropriations in the following amounts for the fiscal year June 30, 2010:

Utilities	$ 3,940

NOTE 3 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2010, consist of the following:

Deposits with County of Fresno Treasurer	$ 12,614
Total cash and cash equivalents	$ 12,614

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	$ 12,614
Total cash and cash equivalents	$ 12,614

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, 2010.

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010
Capital assets, being depreciated:				
Buildings and improvements	$ 107,031	$ -	$ -	$ 107,031
Total capital assets, being depreciated	107,031	-	-	107,031
Less accumulated depreciation:				
Buildings and improvements	(38,688)	(4,571)	-	(43,259)
Total accumulated depreciation	(38,688)	(4,571)	-	(43,259)
Capital Assets, Net	$ 68,343	$ (4,571)	$ -	$ 63,772

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

Public Ways and Facilities	$ 4,571

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 CONTIGENCIES

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

COUNTY SERVICE AREA NO. 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, 2010

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

June 30, 2010

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PRICE PAIGE & COMPANY
ACCOUNTANCY CORPORATION

INDEPENDENT AUDITOR'S REPORT

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

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 5 (District), a component unit of the County of Fresno, as of and for the fiscal year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 5 as of June 30, 2010, and the respective changes in financial position and cash flows, thereof, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Price Paige & Company

Clovis, California
June 27, 2011

677 Scott Avenue, Clovis, California 93612
Telephone (559) 299-9540 • *Fax* (559) 299-2344 • *E-mail* ppc@ppcpas.com • www.ppcpas.com

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

STATEMENT OF NET ASSETS
June 30, 2010

ASSETS	
Current assets:	
Cash and equivalents	$ 51,548
Receivables:	
Interest	91
Total current assets	51,639
Noncurrent assets:	
Capital assets:	
Depreciable:	
Machinery and equipment	82,793
Less: accumulated depreciation	(82,793)
Total noncurrent assets	0
Total assets	51,639
LIABILITIES	
Current liabilities:	
Accounts payable	2,593
Due to primary government	1,658
Total liabilities	4,251
NET ASSETS	
Unrestricted	47,388
Total net assets	$ 47,388

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

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2010

Operating revenues:	
Other operating revenues	$ 97,895
Total operating revenues	97,895
Operating expenses:	
Insurance	1,080
Professional and specialized services	25,825
Specialized departmental expenses	2,344
General and administrative	312
Repairs and maintenance	4,179
Utilities	18,762
Total operating expenses	52,502
Operating income (loss)	45,393
Nonoperating revenues (expenses):	
Investment earnings	(51)
Property taxes	12,388
Homeowners property tax relief	177
Total nonoperating revenues (expenses)	12,514
Change in net assets	57,906
Net assets - beginning	(10,518)
Net assets - ending	$ 47,388

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

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

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

Cash flows from operating activities:		
Cash paid to suppliers	$	(59,690)
Other operating receipts		97,895
Net cash provided by (used in) operating activities		38,205
Cash flows from non-capital financing activities:		
Property taxes received		12,564
Net cash provided by (used in) non-capital financing activities		12,564
Cash flows from investing activities:		
Interest on investments		(137)
Net cash provided by (used in) investing activities		(137)
Net increase (decrease) in cash and cash equivalents		50,631
Cash and cash equivalents - beginning		917
Cash and cash equivalents - ending	$	51,548

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

Operating income (loss)	$	45,393
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Increase (decrease) in accounts payable		(455)
Increase (decrease) in due to primary government		(6,733)
Total adjustments		(7,188)
Net cash provided by (used in) operating activities	$	38,205

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Basis of Accounting

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

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

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

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. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009, with earlier application encouraged. This statement did not have an impact on the District's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. New Pronouncements (Continued)

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

D. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

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

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

2. Accounts Payable and Due to Primary Government

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 and due to primary government balances of $2,593 and $1,658, respectively, as of June 30, 2010, are related to certain contract services and payments for utility fees.

3. Capital Assets

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets (Continued)

3. Capital Assets (Continued)

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

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

Equipment Type	Useful Life
Water System	40 Years
Hydro-Pneumatic Tank	10 Years
Well	10 Years

4. Net Assets

Net assets are reported in three categories as follows:

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

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

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

5. Property Taxes

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets (Continued)

5. Property Taxes (Continued)

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

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

6. Use of Estimates

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

NOTE 2 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2010, consist of the following:

Deposits with County of Fresno Treasurer	$ 51,548
Total cash and cash equivalents	$ 51,548

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	$ 51,548
Total cash and cash equivalents	$ 51,548

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, 2010.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010, was as follows:

	July 1, 2009 Balance	Additions	Retirements	June 30, 2010 Balance
Capital assets being depreciated:				
Machinery and equipment	$ 82,793	$ -	$ -	$ 82,793
Less: accumulated depreciation	(82,793)	-	-	(82,793)
Capital Assets, Net	$ -	$ -	$ -	$ -

NOTE 4 – RISK MANAGEMENT

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

NOTE 5 – COMMITMENTS AND CONTIGENCIES

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

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

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

For the Year Ended
June 30, 2010

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

June 30, 2010

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PRICE PAIGE & COMPANY
ACCOUNTANCY CORPORATION

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 and each major fund of County Service Area No. 7 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2010, 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. 7, as of June 30, 2010, and the respective changes in financial position and the respective budgetary comparison for the major Special Revenue Fund, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Price Paige & Company

Clovis, California
June 27, 2011

677 Scott Avenue, Clovis, California 93612
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COUNTY SERVICE AREA NO. 7
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
June 30, 2010

	Governmental Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash and cash equivalents	$ 130,381	$ -	$ 130,381
Interest receivable	674	-	674
Total assets	$ 131,055	-	131,055
LIABILITIES			
Accounts payable	$ 3,170	$ -	$ 3,170
Due to primary government	297	-	297
Total liabilities	3,467	-	3,467
FUND BALANCE/NET ASSETS			
Fund balance:			
Unreserved	127,588	(127,588)	-
Total fund balance	127,588	(127,588)	-
Total liabilities and fund balance	$ 131,055		
Net assets:			
Unrestricted		127,588	127,588
Total net assets		$ 127,588	$ 127,588

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

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

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2010

	Governmental Fund	Adjustments	Statement of Activities
Expenditures/Expenses:			
Public ways and facilities	$ 20,655	$ -	$ 20,655
Total expenditures/expenses	20,655	-	20,655
Revenues			
Program revenue:			
Charges for services	23,145	-	23,145
Total program revenue	23,145	-	23,145
Net program revenue	2,490	-	2,490
General revenues:			
Property taxes	5,291	-	5,291
Unrestricted investment earnings	2,538	-	2,538
Miscellaneous	80	-	80
Total general revenues	7,909	-	7,909
Excess (deficiency) of revenues over (under) expenditures	10,399	(10,399)	-
Change in net assets	-	10,399	10,399
Fund balance/net assets:			
Beginning of the year	117,189	-	117,189
End of the year	$ 127,588	$ -	$ 127,588

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

BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Balance - July 1, 2009	$ 114,333	$ 114,333	$ 115,317	$ 984
Resources (inflows):				
Taxes	6,000	6,000	5,291	(709)
Use of money and property	3,000	3,000	2,524	(476)
Intergovernmental revenues	-	-	80	80
Charges for current services	22,899	22,899	23,145	246
Total revenues	31,899	31,899	31,040	(859)
Charges to Appropriations (outflows):				
Public ways and facilities:				
Original Zone:				
Services and supplies	17,975	17,975	12,330	5,645
Contingencies	1,798	1,798	-	1,798
Zone D:				
Services and supplies	21,883	21,883	5,770	16,113
Contingencies	2,188	2,188	-	2,188
Total charges to appropriations	43,844	43,844	18,100	25,744
Budgetary Balance - June 30, 2010	$ 102,388	$ 102,388	$ 128,257	$ 25,869

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

Sources/inflows of resources:	
Actual amounts (budgetary basis) "available from appropriations" from the budgetary comparison schedule	$ 31,040
Differences - budget to GAAP	
Budgetary basis to modified accrual basis adjustment	14
Total revenues as reported on the statement of revenues and expenditures and changes in fund balance	$ 31,054
Uses/outflows of resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 18,100
Differences - budget to GAAP	
Budgetary basis to modified accrual basis adjustment	2,555
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	$ 20,655

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

B. Government-Wide and Fund Financial Statements

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

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

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 fund:

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

The District adopts an annual appropriated budget for the Special Revenue Fund which is a major fund. Budgetary Comparison Schedules have been provided for this fund to demonstrate compliance with the budgets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. The District has not determined its effect on the financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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. Accounts Payable and Due to Primary Government

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 and due to primary government balances of $3,170 and $297, respectively, as of June 30, 2010, are related to certain contract services and payments for utility fees.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Assets or Equity (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 – 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.

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, 2010.

NOTE 3 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2010, consist of the following:

Deposits with County of Fresno Treasurer	$ 130,381
Total cash and cash equivalents	$ 130,381

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	$ 130,381
Total cash and cash equivalents	$ 130,381

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, 2010.

NOTE 4 – RISK MANAGEMENT

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

NOTE 5 – COMMITMENTS AND CONTINGENCIES

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

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

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

For the Year Ended
June 30, 2010

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

June 30, 2010

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PRICE PAIGE & COMPANY
ACCOUNTANCY CORPORATION

<u>INDEPENDENT AUDITOR'S REPORT</u>

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

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 10 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 10 as of June 30, 2010, and the respective changes in financial position and cash flows, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Price Paige & Company

Clovis, California
June 27, 2011

677 Scott Avenue, Clovis, California 93612
Telephone (559) 299-9540 • *Fax* (559) 299-2344 • *E-mail* ppc@ppcpas.com • www.ppcpas.com

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

STATEMENT OF NET ASSETS
June 30, 2010

ASSETS	
Current assets:	
Cash and cash equivalents	$ 288,061
Receivables:	
Accounts	17,157
Interest	1,515
Total current assets	306,733
Noncurrent assets:	
Capital assets:	
Depreciable:	
Machinery and equipment	99,397
Less: accumulated depreciation	(89,503)
Total noncurrent assets	9,894
Total assets	316,627
LIABILITIES	
Current liabilities:	
Accounts payable	4,137
Due to primary government	5,640
Total liabilities	9,777
NET ASSETS	
Invested in capital assets	9,894
Unrestricted	296,956
Total net assets	$ 306,850

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

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2010

Operating revenues:	
Charges for services	$ 83,782
Other operating revenues	31,988
Total operating revenues	115,770
Operating expenses:	
Insurance	579
Professional and specialized services	49,740
Specialized departmental expenses	671
General and administrative	3,585
Repairs and maintenance	12,311
Utilities	22,593
Depreciation	1,528
Total operating expenditures	91,007
Operating income (loss)	24,763
Nonoperating revenues (expenses):	
Investment earnings	5,711
Property taxes	1,606
Homeowners tax relief / in-lieu of taxes	24
Total nonoperating revenues (expenses)	7,341
Change in net assets	32,104
Total net assets - beginning	274,746
Total net assets - ending	$ 306,850

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

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

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

Cash flow from operating activities:		
Cash received from users	$	84,843
Cash paid to suppliers		(87,532)
Other operating receipts		31,988
Net cash provided by (used in) operating activities		29,299
Cash flows from non-capital financing activities:		
Property taxes received		1,630
Net cash provided by (used in) non-capital financing activities		1,630
Cash flows from investing activities:		
Interest on investments		5,640
Net cash provided by (used in) investing activities		5,640
Net increase (decrease) in cash and cash equivalents		36,569
Cash and cash equivalents - beginning		251,492
Cash and cash equivalents - ending	$	288,061

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

Operating income (loss)	$	24,763
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation		1,528
(Increase) decrease in accounts receivable		1,061
Increase (decrease) in accounts payable		467
Increase (decrease) in due to primary government		1,480
Total adjustments		4,536
Net cash provided by (used in) operating activities	$	29,299

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

B. Basis of Accounting

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

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

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

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. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. New Pronouncements (Continued)

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements

D. 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 wrote off $460 during the period.

3. Accounts Payable and Due to Primary Government

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 and due to primary government balances of $4,137 and $5,640, respectively, as of June 30, 2010, are related to certain contract services and payments for utility fees.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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:

Equipment Type	Useful Life
AC Mains	70 Years
Pressure Tanks	50 Years
Master Meters, Fire Hydrants and Extensions, Gate Valves, and Wells	40 Years
Water Meters	15-40 Years
Computer Equipment	15 Years
Pump Assembly	10 Years

5. Net Assets

Net assets are reported in three categories as follows:

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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.

NOTE 2 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2010, consist of the following:

Deposits with County of Fresno Treasurer	$ 288,061
Total cash and cash equivalents	$ 288,061

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	$ 288,061
Total cash and cash equivalents	$ 288,061

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, 2010.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010, was as follows:

	July 1, 2009 Balance	Additions	Retirements	June 30, 2010 Balance
Capital assets being depreciated:				
Machinery and equipment	$ 99,397	$ -	$ -	$ 99,397
Total capital assets being depreciated	99,397	-	-	99,397
Less accumulated depreciation:				
Machinery and equipment	(87,975)	(1,528)	-	(89,503)
Total accumulated depreciation	(87,975)	(1,528)	-	(89,503)
Capital Assets, Net	$ 11,422	$ (1,528)	$ -	$ 9,894

NOTE 4 – RISK MANAGEMENT

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

NOTE 5 – COMMITMENTS AND CONTIGENCIES

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

COUNTY SERVICE AREA NO. 14
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

For the Year Ended
June 30, 2010

COUNTY SERVICE AREA NO. 14
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2010

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PRICE PAIGE & COMPANY
ACCOUNTANCY CORPORATION

INDEPENDENT AUDITOR'S REPORT

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

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 14 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 14 of County of Fresno, California, as of June 30, 2010, and the respective changes in financial position and cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 14 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Clovis, California
June 27, 2011

677 Scott Avenue, Clovis, California 93612
Telephone (559) 299-9540 • *Fax* (559) 299-2344 • *E-mail* ppc@ppcpas.com • www.ppcpas.com

COUNTY SERVICE AREA NO. 14
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2010

ASSETS	
Current assets:	
Cash and cash equivalents	$ 42,035
Receivables:	
Interest	224
Total current assets	42,259
Capital assets:	
Depreciable:	
Structure and improvements	18,390
Machinery and equipment	11,486
Less: accumulated depreciation	(24,803)
Total capital assets	5,073
Total assets	47,332
LIABILITIES	
Current liabilities:	
Accounts payable	12,097
Due to primary government	4,276
Total liabilities	16,373
NET ASSETS	
Invested in capital assets	5,073
Unrestricted	25,886
Total net assets	$ 30,959

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

COUNTY SERVICE AREA NO. 14
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2010

Operating revenues:	
Charges for services	$ 188
Other operating revenues	17,166
Total operating revenues	17,354
Operating expenses:	
Insurance	311
Repairs and maintenance	17,647
Memberships and publications	1
Office expense	106
Professional and specialized services	20,324
Specialized departmental expenses	1,039
Utilities	7,804
Depreciation	574
Total operating expenses	47,806
Operating income (loss)	(30,452)
Non-operating revenues (expenses):	
Investment earnings	910
Property taxes	7,439
Homeowner's tax relief	112
Federal in-lieu housing	-
Total non-operating revenues (expenses)	8,461
Change in net assets	(21,991)
Net assets - beginning	52,950
Net assets - ending	$ 30,959

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

<u>COUNTY SERVICE AREA NO. 14</u>
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

Cash flows from operating activities:	
Cash received from users	$ 188
Cash paid to suppliers	(33,289)
Other operating receipts	17,166
Net cash provided by (used in) operating activities	(15,935)
Cash flows from non-capital financing activities:	
Property taxes received	7,551
Net cash provided by (used in) non-capital financing activities	7,551
Cash flows from investing activities:	
Interest on investments	973
Net cash provided by (used in) investing activities	973
Net increase (decrease) in cash and cash equivalents	(7,411)
Cash and cash equivalents - beginning	49,446
Cash and cash equivalents - ending	$ 42,035

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

Operating income (loss)	$ (30,452)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) by operating activities:	
Depreciation	574
Increase (decrease) in accounts payable	11,242
Increase (decrease) in due to primary government	2,701
Total adjustments	14,517
Net cash provided by (used in) operating activities	$ (15,935)

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

County Service Area No. 14, a special district (District), is an enterprise fund of the County of Fresno (County), which is a political subdivision of the State of California. The function of the District is to maintain the community water system, storm drainage and street lighting for the subdivision of Belmont Manor, Tract 2031. The subdivision is located at Belmont and Leonard Avenues. The District is not subject to federal or state income taxes.

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

The District was formed in 1970 under the provisions of Government code Section 25210.1 et. seq., and is governed by the County Board of Supervisors. The District is a component unit of the County of Fresno.

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

B. Basis of Accounting

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

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

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

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. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. New Pronouncements

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

D. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

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

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

2. Accounts Payable and Due to Primary Government

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 and due to primary government balances of $12,097 and $4,276, respectively, as of June 30, 2010, are related to certain contract services and payments for utility fees.

3. Capital Assets

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets (Continued)

3. Capital Assets (Continued)

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

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

Equipment Type	Useful Life
Pump	10 Years
Water well	20 Years

4. Net Assets

Net assets are reported in three categories as follows:

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

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

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

5. Property Taxes

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets (Continued)

5. Property Taxes (Continued)

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

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

6. Use of Estimates

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

NOTE 2 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2010, consist of the following:

Deposits with County of Fresno Treasurer	$ 42,035
Total cash and cash equivalents	$ 42,035

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	$ 42,035
Total cash and cash equivalents	$ 42,035

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, 2010.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010, was as follows:

	July 1, 2009 Balance	Additions	Retirements	June 30, 2010 Balance
Capital assets being depreciated:				
Structure and improvements	$ 18,390	$ -	$ -	$ 18,390
Machinery and equipment	11,486	-	-	11,486
Total capital assets not being depreciated	29,876	-	-	29,876
Less accumulated depreciation:				
Structure and improvements	(18,390)	-	-	(18,390)
Machinery and equipment	(5,839)	(574)	-	(6,413)
Total accumulated depreciation	(24,229)	(574)	-	(24,803)
Capital Assets, Net	$ 5,647	$ (574)	$ -	$ 5,073

NOTE 4 – RISK MANAGEMENT

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

NOTE 5 – COMMITMENTS AND CONTIGENCIES

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

COUNTY SERVICE AREA NO. 18
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

For the Year Ended
June 30, 2010

COUNTY SERVICE AREA NO. 18
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2010

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PAIGE &
COMPANY
ACCOUNTANCY CORPORATION

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 and each major fund of County Service Area No. 18 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2010, which 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. 18, as of June 30, 2010, and the respective changes in financial position and the respective budgetary comparison for the major Special Revenue Fund, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 18 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Clovis, California
June 27, 2011

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<u>COUNTY SERVICE AREA NO. 18</u>
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
June 30, 2010

	Governmental Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash and cash equivalents	$ 26,064	$ -	$ 26,064
Interest receivable	141	-	141
Total assets	$ 26,205	-	26,205
LIABILITIES			
Accounts payable	$ 365	-	365
Due to primary government	52	-	52
Total liabilities	417	-	417
FUND BALANCE/NET ASSETS			
Fund balance:			
Unreserved	25,788	(25,788)	-
Total fund balance	25,788	(25,788)	-
Total liabilities and fund balance	$ 26,205		
Net assets:			
Unrestricted		25,788	25,788
Total net assets		$ 25,788	$ 25,788

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

COUNTY SERVICE AREA NO. 18
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2010

	Governmental Fund	Adjustments	Statement of Activities
Expenditures/Expenses			
Public ways and facilities	$ 8,914	$ -	$ 8,914
Total expenditures/expenses	8,914	-	8,914
Revenues			
Program revenue:			
Charges for services	-	-	-
Total program revenue	-	-	-
Net program expense			(8,914)
General revenue:			
Unrestricted investment earnings	633	-	633
Total general revenues	633	-	633
Excess (deficiency) of revenues over (under) expenditures	(8,281)	8,281	-
Change in net assets	-	(8,281)	(8,281)
Fund balance/net assets:			
Beginning of the year	34,069	-	34,069
End of the year	$ 25,788	$ -	$ 25,788

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

COUNTY SERVICE AREA NO. 18
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance - July 1, 2009	$ 34,338	$ 34,338	$ 34,169	$ (169)
Resources (inflows):				
Property taxes	325	325	-	(325)
Interest	1,225	1,225	696	(529)
Amounts available for appropriations	1,550	1,550	696	(854)
Charges to Appropriations (outflows):				
Professional and specialized services	4,250	4,250	4,516	(266)
PeopleSoft financials charge	250	250	210	40
Utilities	5,500	5,500	4,381	1,119
Contingencies	1,000	1,000	-	1,000
Total charges to appropriations	11,000	11,000	9,107	1,893
Budgetary Fund Balance - June 30, 2010	$ 24,888	$ 24,888	$ 25,758	$ 870

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

Sources/inflows of resources:	
Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule not including fund balance	$ 696
Differences - budget to GAAP Modified accrual basis of accounting to budgetary basis of accounting	(63)
Total revenues as reported on the statement of revenues and expenditures and changes in fund balance	$ 633
Uses/outflows of resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 9,107
Differences - budget to GAAP Modified accrual basis of accounting to budgetary basis of accounting	(193)
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	$ 8,914

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

County Service Area No. 18, a special district (District), is a special revenue fund of the County of Fresno (County), which is a political subdivision of the State of California. The District was formed in 1966 under the provisions of Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors (Board). The District is a component unit of the County of Fresno. The function of the District is to provide street lighting in the unincorporated area near Calwa. Subsequent to its formation, much of the District's area was annexed to the City of Fresno. Therefore, services in the annexed area were no longer required of the District. The District continues to ensure the installation and maintenance of street lighting in the remaining area by contracting with PG&E. The District is not subject to federal or state income taxes.

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

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

B. Government-Wide and Fund Financial Statements

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

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

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

The District reports the following major governmental funds:

> The *special revenue fund* accounts for special revenue that is legally restricted to expenditures for a particular purpose. The special revenue fund is the primary operating fund of County Service Area No. 18.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. The District has not determined its effect on the financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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. Accounts Payable and Due to Primary Government

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 and due to primary government balances of $365 and $52, respectively, as of June 30, 2010, are related to certain contract services and payments for utility fees.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Property Taxes (Continued)

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

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

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

5. Use of Estimates

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

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.

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

A. Budgetary Information (Continued)

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, 2010.

B. Excess of Expenditures Over Appropriations

The District incurred expenditures in excess of appropriations in the following amounts for the fiscal year June 30, 2010:

Professional Specialized Services	$ 266

NOTE 3 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2010, consist of the following:

Deposits with County of Fresno Treasurer	$ 26,064
Total cash and cash equivalents	$ 26,064

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	$ 26,064
Total cash and cash equivalents	$ 26,064

NOTE 3 – 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, 2010.

NOTE 4 – RISK MANAGEMENT

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

NOTE 5 – COMMITMENTS AND CONTINGENCIES

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

COUNTY SERVICE AREA NO. 19
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

For the Year Ended
June 30, 2010

COUNTY SERVICE AREA NO. 19
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2010

TABLE OF CONTENTS

PRICE PAIGE& COMPANY
ACCOUNTANCY CORPORATION

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 and each major fund of County Service Area No. 19 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2010, 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. 19, as of June 30, 2010, and the respective changes in financial position and the respective budgetary comparison for the major Special Revenue Fund, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 19 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Clovis, California
June 27, 2011

677 Scott Avenue, Clovis, California 93612
Telephone (559) 299-9540 • *Fax* (559) 299-2344 • *E-mail* ppc@ppcpas.com • www.ppcpas.com

COUNTY SERVICE AREA NO. 19
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
June 30, 2010

	Governmental Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash and cash equivalents	$ 9,334	$ -	$ 9,334
Interest receivable	50	-	50
Total assets	$ 9,384	-	9,384
LIABILITIES			
Accounts payable	$ 60	-	60
Due to primary government	17	-	17
Total liabilities	77	-	77
FUND BALANCE/NET ASSETS			
Fund balance:			
Unreserved	9,307	(9,307)	-
Total fund balance	9,307	(9,307)	-
Total liabilities and fund balance	$ 9,384		
Net assets:			
Unrestricted		9,307	9,307
Total net assets		$ 9,307	$ 9,307

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

COUNTY SERVICE AREA NO. 19
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2010

	Governmental Fund	Adjustments	Statement of Activities
Expenditures/Expenses			
Public ways and facilities	$ 2,419	$ -	$ 2,419
Total expenditures/expenses	2,419	-	2,419
Revenues			
Program revenue:			
Charges for services	2,153	-	2,153
Total program revenue	2,153	-	2,153
Net program expense			(266)
General revenues:			
Property taxes	520	-	520
Unrestricted investment earnings	184	-	184
Miscellaneous	8	-	8
Total general revenues	712	-	712
Excess (deficiency) of revenues over (under) expenditures	446	(446)	-
Change in net assets	-	446	446
Fund balance/net assets:			
Beginning of the year	8,861	-	8,861
End of the year	$ 9,307	$ -	$ 9,307

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

COUNTY SERVICE AREA NO. 19
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance - July 1, 2009	$ 8,801	$ 8,801	$ 9,019	$ 218
Resources (inflows):				
Taxes	650	650	520	(130)
Use of money and property	225	225	184	(41)
Intergovernmental revenues	-	-	8	8
Charges for current services	1,697	1,697	2,153	456
Amounts available for appropriations	2,572	2,572	2,865	293
Charges to Appropriations (outflows):				
Services and supplies	2,615	2,615	2,541	74
Appropriations for contingencies	262	262	-	262
Total charges to appropriations	2,877	2,877	2,541	336
Budgetary Fund Balance - June 30, 2010	$ 8,496	$ 8,496	$ 9,343	$ 847

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

Sources/inflows of resources:	
Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule not including fund balance	$ 2,865
Differences - budget to GAAP	
Modified accrual basis of accounting to budgetary basis of accounting	(0)
Total revenues as reported on the statement of revenues and expenditures and changes in fund balance	$ 2,865
Uses/outflows of resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 2,541
Differences - budget to GAAP	
Modified accrual basis of accounting to budgetary basis of accounting	(122)
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	$ 2,419

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

County Service Area No. 19, a special district (District) is a special revenue fund of the County of Fresno (County), which is a political subdivision of the State of California. The District is comprised of two independent zones located throughout the County. The District was formed in 1967 under the provisions of the Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors (Board). The District is a component unit of the County of Fresno. The function of the District is to provide street lighting to the inhabitants along Hampton Avenue, east of Hayes Avenue. The District is not subject to federal or state income taxes.

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

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

B. Government-Wide and Fund Financial Statements

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

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

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental Fund Financial Statements

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

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

The District reports the following major governmental funds:

> The *special revenue fund* accounts for special revenue that is legally restricted to expenditures for a particular purpose. The special revenue fund is the primary operating fund of County Service Area No. 19.

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

D. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. New Pronouncements (Continued)

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

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E. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

2. Accounts Payable and Due to Primary Government

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 and due to primary government balances of $60 and $17, respectively, as of June 30, 2010, are related to certain contract services and payments for utility fees.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Net Assets or Equity (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 – 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.

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, 2010.

NOTE 3 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2010, consist of the following:

Deposits with County of Fresno Treasurer	$ 9,334
Total cash and cash equivalents	$ 9,334

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	$ 9,334
Total cash and cash equivalents	$ 9,334

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, 2010.

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 4 – RISK MANAGEMENT

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

NOTE 5 – COMMITMENTS AND CONTINGENCIES

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

COUNTY SERVICE AREA NO. 23
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

For the Year Ended
June 30, 2010

COUNTY SERVICE AREA NO. 23
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2010

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PRICE
PAIGE&
COMPANY
ACCOUNTANCY CORPORATION

INDEPENDENT AUDITOR'S REPORT

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

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 23 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2010, 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. 23 as of June 30, 2010, and the respective changes in financial position and cash flows, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 23 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Clovis, California
June 27, 2011

677 Scott Avenue, Clovis, California 93612
Telephone (559) 299-9540 • *Fax* (559) 299-2344 • *E-mail* ppc@ppcpas.com • www.ppcpas.com

COUNTY SERVICE AREA NO. 23
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2010

ASSETS	
Current assets:	
Cash and cash equivalents	$ 10,246
Receivables:	
Interest	44
Total assets	10,290
LIABILITIES	
Current liabilities:	
Accounts payable	145
Due to primary government	568
Total liabilities	713
NET ASSETS	
Unrestricted	9,577
Total net assets	$ 9,577

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

COUNTY SERVICE AREA NO. 23
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2010

Operating revenues:	
Other operating revenues	$ 20,998
Total operating revenues	20,998
Operating expenses:	
Insurance	122
Professional and specialized services	8,666
Specialized departmental expenses	1,193
General and administrative	20
Repairs and maintenance	1,049
Utilities	1,328
Total operating expenses	12,378
Operating income (loss)	8,620
Non-operating revenues (expenses):	
Investment earnings	45
Property taxes	1,592
Homeowners property tax relief	16
Total non-operating revenues (expenses)	1,653
Change in net assets	10,273
Net assets - beginning	(696)
Net assets - ending	$ 9,577

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

COUNTY SERVICE AREA NO. 23
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

Cash flows from operating activities:	
Cash paid to suppliers	$ (12,770)
Other operating receipts	20,998
Net cash provided by (used in) operating activities	8,228
Cash flows from non-capital financing activities:	
Property taxes received	1,608
Net cash provided by (used in) non-capital financing activities	1,608
Cash flows from investing activities:	
Interest on investments	8
Net cash provided by (used in) investing activities	8
Net increase (decrease) in cash and cash equivalents	9,844
Cash and cash equivalents - beginning	402
Cash and cash equivalents - ending	$ 10,246

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

Operating income (loss)	$ 8,620
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Increase (decrease) in accounts payable	38
Increase (decrease) in due to primary government	(430)
Total adjustments	(392)
Net cash provided by (used in) operating activities	$ 8,228

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

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. 23, a special district (District), is an enterprise fund of the County of Fresno (County), which is a political subdivision of the State of California. The function of the District is to maintain the community water system in Exchenquer Heights, Tract 1994. The subdivision is located approximately three miles southwest of the Dinkey Creek area. Maintenance is provided by contract with the Exchenquer Heights Property Owners Association. The District is not subject to federal or state income taxes.

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

The District was formed in 1970 under the provisions of Government code Section 25210.1 et. seq., and is governed by the County Board of Supervisors. The District is a component unit of the County of Fresno.

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

B. Basis of Accounting

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

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

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

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. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. New Pronouncements (Continued)

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

D. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

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

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

2. Accounts Payable and Due to Primary Government

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 and due to primary government balances of $145 and $568, respectively, as of June 30, 2010, are related to certain contract services and payments for utility fees.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets (Continued)

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.

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.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets (Continued)

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, 2010, consist of the following:

Deposits with County of Fresno Treasurer	$ 10,246
Total cash and cash equivalents	$ 10,246

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	$ 10,246
Total cash and cash equivalents	$ 10,246

Investment in County Treasury

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

The District does not have any deposits with financial institutions as of June 30, 2010.

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 CONTIGENCIES

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

COUNTY SERVICE AREA NO. 30
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

For the Year Ended
June 30, 2010

COUNTY SERVICE AREA NO. 30
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2010

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PRICE PAIGE & COMPANY
ACCOUNTANCY CORPORATION

INDEPENDENT AUDITOR'S REPORT

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

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 30 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 30, as of June 30, 2010, and the respective changes in financial position and cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 30 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Clovis California
June 27, 2011

677 Scott Avenue, Clovis, California 93612
Telephone (559) 299-9540 • *Fax* (559) 299-2344 • *E-mail* ppc@ppcpas.com • www.ppcpas.com

COUNTY SERVICE AREA NO. 30
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2010

ASSETS	
Current assets:	
Cash and cash equivalents	$ 5,465
Receivables:	
Accounts	12,540
Interest	38
Total current assets	18,043
Non-current assets:	
Capital assets:	
Depreciable:	
Machinery and equipment	483,690
Less: accumulated depreciation	(267,147)
Total noncurrent assets	216,543
Total assets	234,586
LIABILITIES	
Current liabilities:	
Accounts payable	4,304
Due to primary government	25,527
Total liabilities	29,831
NET ASSETS	
Invested in capital assets	216,543
Unrestricted	(11,788)
Total net assets	$ 204,755

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

COUNTY SERVICE AREA NO. 30
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2010

Operating revenues:	
Charges for services	$ 98,107
Total operating revenues	98,107
Operating expenses:	
Water expense	2,160
Insurance	125
Professional services	72,293
Specialized departmental expenses	6,900
General and administrative	17,070
Repairs and maintenance	5,091
Utilities	10,592
Depreciation	12,887
Total operating expenses	127,118
Operating income (loss)	(29,011)
Non-operating revenues (expenses):	
Investment earnings	217
Property taxes	1,087
Homeowners property tax relief	16
Total non-operating revenues (expenses)	1,320
Change in net assets	(27,691)
Net assets - beginning	232,446
Net assets - ending	$ 204,755

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

COUNTY SERVICE AREA NO. 30
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

Cash flows from operating activities:	
Cash received from users	$ 98,963
Cash paid to suppliers	(107,773)
Net cash provided by (used in) operating activities	(8,810)
Cash flows from non-capital financing activities:	
Property taxes received	1,103
Net cash provided (used in) non-capital financing activities	1,103
Cash flows from investing activities:	
Interest on investments	288
Net cash provided by (used in) investing activities	288
Net increase (decrease) in cash and cash equivalents	(7,419)
Cash and cash equivalents - beginning	12,884
Cash and cash equivalents - ending	$ 5,465

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

Operating income (loss)	$ (29,011)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	12,887
(Increase) decrease in accounts receivable	855
Increase (decrease) in accounts payable	(1,956)
Increase (decrease) in due to primary government	8,415
Total adjustments	20,201
Net cash provided by (used in) operating activities	$ (8,810)

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

County Service Area No. 30, a special district (District), is an enterprise fund of the County of Fresno (County), which is a political subdivision of the State of California. The function of the District is to provide maintenance of the water and sewer systems, street lighting, and refuse disposal in the subdivision known as El Porvenir, which is located on the west side of Derrick Avenue (Highway 33) near Clarkson Avenue. The District is not subject to federal or state income taxes.

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

The District was formed in 1980 under the provisions of Government code Section 25210.1 et. seq., and is governed by the County Board of Supervisors. The District is a component unit of the County of Fresno.

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

B. Basis of Accounting

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

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

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

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. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. New Pronouncements (Continued)

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

D. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers 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. An 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 wrote off $1,924 during the period.

3. Accounts Payable and Due to Primary Government

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 and due to primary government balances of $4,304 and $25,527, respectively, as of June 30, 2010, are related to certain contract services and payments for utility fees.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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:

Property Type	Useful Life
Pump and well replacement	15 Years
Water and Sewer system	24 Years
Water treatment plant	25 Years
Water storage tank	30 Years

5. Net Assets

Net assets are reported in three categories as follows:

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

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

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

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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.

NOTE 2 — CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2010, consist of the following:

Deposits with the County of Fresno Treasurer	$ 5,465
Total cash and cash equivalents	$ 5,465

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and cash equivalents	$ 5,465
Total cash and cash equivalents	$ 5,465

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, 2010.

NOTE 3 — CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010, was as follows:

	July 1, 2009 Balance	Additions	Retirements	June 30, 2010 Balance
Capital assets being depreciated:				
Structures and improvements	$ 483,690	$ -	$ -	$ 483,690
Total capital assets being depreciated	483,690	-	-	483,690
Less accumulated depreciation:				
Structures and improvements	(254,260)	(12,887)	-	(267,147)
Total accumulated depreciation	(254,260)	(12,887)	-	(267,147)
Capital Assets, Net	$ 229,430	$ (12,887)	$ -	$ 216,543

NOTE 4 — RISK MANAGEMENT

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

NOTE 5 — COMMITMENTS AND CONTIGENCIES

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

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

For the Year Ended
June 30, 2010

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
June 30, 2010

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PRICE PAIGE & COMPANY
ACCOUNTANCY CORPORATION

INDEPENDENT AUDITOR'S REPORT

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

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of County Service Area No. 31 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities and each major fund of County Service Area No. 31, as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows and the budgetary comparison for the major Special Revenue Fund, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 31 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Clovis, California
June 27, 2011

677 Scott Avenue, Clovis, California 93612
Telephone (559) 299-9540 • *Fax* (559) 299-2344 • *E-mail* ppc@ppcpas.com • www.ppcpas.com

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 831,729	$ 112,916	$ 944,645
Receivables:			
Interest	4,245	787	5,032
Due from primary government	-	4,590	4,590
Capital assets not being depreciated:			
Land	-	329,842	329,842
Capital assets, net of accumulated depreciation:			
Structures and improvements	153,845	4,036,983	4,190,828
Machinery and equipment	350,167	16,622	366,789
Total assets	1,339,986	4,501,740	5,841,726
LIABILITIES			
Accounts payable	45,566	18,200	63,766
Due to primary government	4,726	15,549	20,275
Total liabilities	50,292	33,749	84,041
NET ASSETS			
Invested in capital assets	504,012	4,383,447	4,887,459
Unrestricted	785,682	84,544	870,226
Total net assets	$ 1,289,694	$ 4,467,991	$ 5,757,685

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

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

		Program Revenues		Net (Expenses) Revenues and Changes in Net Assets		
				Primary Government		
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs						
Primary Government:						
Governmental Activities:						
Public ways and facilities	$ 240,229	$ 291,275	$ -	$ 51,046	$ -	$ 51,046
Total governmental activities	240,229	291,275	-	51,046	-	51,046
Business Activities:						
Water and sewer	654,595	402,552	-	-	(252,043)	(252,043)
Total business-type activities	654,595	402,552	-	-	(252,043)	(252,043)
Total primary government	$ 894,824	$ 693,827	$ -	51,046	(252,043)	(200,997)
General Revenues:						
Rent				4,183	-	4,183
Unrestricted investment earnings				15,180	2,953	18,133
Total general revenues				19,363	2,953	22,316
Change in net assets				70,409	(249,090)	(178,681)
Net assets - beginning				1,219,285	4,717,081	5,936,366
Net assets - ending				$ 1,289,694	$ 4,467,991	$ 5,757,685

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

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2010

ASSETS	
Cash and cash equivalents	$ 831,729
Interest receivable	4,245
Total assets	$ 835,974
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	$ 45,566
Due to primary government	4,726
Total liabilities	50,292
Fund balance:	
Unrestricted	785,682
Total fund balance	785,682
Total liabilities and fund balance	$ 835,974

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

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2010

Fund balance - governmental funds	$ 785,682
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets are not recorded in governmental fund types, but recorded in government-wide statement to conform with GAAP accounting requirements.	504,012
Net assets of governmental activity	$ 1,289,694

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

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

Revenues:	
Service-type property assessments	$ 291,275
Investment earnings	15,180
Rent	4,183
Total revenues	310,638
Expenditures:	
Current:	
Public ways and facilities:	
Maintenance - building and grounds	9,406
Office expense	407
Professional services	176,987
Special department expense	1,125
Total expenditures	187,925
Changes in fund balance	122,713
Fund balance - beginning	662,969
Fund balance - ending	$ 785,682

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

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Net changes in fund balance - total governmental funds	$ 122,713
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount of current year depreciation expense is $52,304. There were no capital asset additions in the current period.	(52,304)
Change in net assets of governmental activities	$ 70,409

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

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BUDGTARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance - July 1, 2009	$ 547,322	$ 547,322	$ 603,187	$ 55,865
Resources (inflows):				
Use of money and property	23,325	23,325	19,068	(4,257)
Charges for current services	321,642	321,642	291,275	(30,367)
Amounts available from appropriations	344,967	344,967	310,343	(34,624)
Charges to Appropriations (outflows):				
Public ways and facilities:				
Services and supplies:				
CSA 31	206,048	206,048	170,921	35,127
CSA 31 Zone C	6,985	6,985	2,691	4,294
CSA 31 Zone D	13,975	13,975	1,641	12,334
CSA 31 Zone E	6,350	6,350	1,192	5,158
CSA 31 Zone F	5,650	5,650	635	5,015
CSA 31 Zone G	5,410	5,410	1,157	4,253
Contingencies	3,838	3,838	-	3,838
Total charges to appropriations	248,256	248,256	178,237	70,019
Budgetary Fund balance - June 30, 2010	$ 644,033	$ 644,033	$ 735,293	$ 91,260

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	$ 310,343
Differences - budget to GAAP	
Modified accrual basis of accounting to budgetary basis of accounting	295
Total revenues as reported on the statement of revenues and expenditures and changes in fund balance	$ 310,638
Uses/outflows of resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 178,237
Differences - budget to GAAP	
Modified accrual basis of accounting to budgetary basis of accounting	9,688
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	$ 187,925

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
ENTERPRISE FUND
June 30, 2010

ASSETS	
Current assets:	
Cash and cash equivalents	$ 112,916
Receivables:	
Interest	787
Due from primary government	4,590
Total current assets	118,293
Noncurrent assets:	
Capital assets:	
Nondepreciable:	
Land	329,842
Depreciable:	
Structures and improvements	7,541,620
Machinery and equipment	78,118
Less: accumulated depreciation	(3,566,133)
Total noncurrent assets	4,383,447
Total assets	4,501,740
LIABILITIES	
Current liabilities:	
Accounts payable	18,200
Due to primary government	15,549
Total liabilities	33,749
NET ASSETS	
Invested in capital assets	4,383,447
Unrestricted	84,544
Total net assets	$ 4,467,991

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

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUND
For the Year Ended June 30, 2010

Operating revenues:	
Charges for services	$ 50,635
Other operating revenues	351,917
Total operating revenues	402,552
Operating expenses:	
Depreciation	166,350
Household expense	1,410
Insurance	6,151
Maintenance - equipment	143,156
Maintenance - structures and grounds	49,526
Membership	22
Office expense	676
Postage	85
PeopleSoft financials charges	10,740
Professional and specialized service	177,837
Small tools and equipment	65
Special department expenses	16,441
Telephone	1,668
Utilities	80,468
Total operating expenses	654,595
Operating income (loss)	(252,043)
Non-operating revenues (expenses):	
Investment earnings	2,953
Total non-operating revenues (expenses)	2,953
Change in net assets	(249,090)
Net assets - beginning	4,717,081
Net assets - ending	$ 4,467,991

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

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF CASH FLOWS
ENTERPRISE FUND
For the Year Ended June 30, 2010

Cash flows from operating activities:	
Cash received from users	$ 48,040
Payment to suppliers	(492,492)
Other operating receipts	351,917
Net cash provided by (used in) operating activities	(92,535)
Cash flows from investing activities:	
Interest on investments	3,292
Net cash provided by (used in) investing activities	3,292
Net increase (decrease) in cash and cash equivalents	(89,243)
Cash and cash equivalents - beginning	202,159
Cash and cash equivalents - ending	$ 112,916

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

Operating income (loss)	$ (252,043)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	166,350
(Increase) decrease in accounts receivable	(2,596)
Increase (decrease) in accounts payable	5,596
Increase (decrease) in due to primary government	(9,842)
Total adjustments	159,508
Net cash provided by (used in) operating activities	$ (92,535)

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

County Service Area No. 31 (CSA 31), including CSA 31 Zone C, CSA 31 Zone D, CSA 31 Zone E, CSA 31 Zone F, and CSA 31 Zone G, is a special revenue fund, and CSA 31 B is an enterprise fund of the County of Fresno (County), which is a political subdivision of the State of California. These funds are classified collectively as a special district (District).

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

CSA 31, CSA 31 Zone B, CSA 31 Zone C, CSA 31 Zone D, CSA 31 Zone E, CSA 31 Zone F, and CSA 31 Zone G were formed in 1978, 1984, 1995, 1997, 2004, 2004, and 2008, respectively. The District was formed under the provisions of Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors. The District is not subject to federal or state income taxes. The District is a component unit of the County of Fresno.

The function of CSA 31 is to provide fire protection and recreation facilities for the Shaver Lake community. There are 2,218 parcels within the service area, which include cabins, homes, multi-living units, stores, offices, restaurants, garages, service stations, and vacant parcels. Of all these parcels, 1,642 are developed, 540 parcels are vacant, and 36 parcels are tax exempt or unable to be built on.

The function of CSA 31 Zone B is to provide a separate funding mechanism for the community sewer system which serves part of the properties in the Shaver Lake community. Only properties which benefit from the sewer system are included in Zone B, which include the Shaver Lake Village area and Camp Edison. The sewage collection and treatment facilities were constructed through the Clean Water Grant Program.

CSA 31 Zone C is located off Highway 168 in South Shaver Lake. Tracts 3959 and 4914 serve 77 lots. Tract 5024 was added on October 29, 2002, and serves an additional 35 lots. CSA 31 Zone C was formed to provide open lot maintenance to these tracts.

The function of CSA 31 Zone D is to provide maintenance of open space area in Tract 4746 located in the community of Shaver Lake. There are 44 parcels within Zone D that equally benefit from the services provided.

The function of CSA 31 Zone E, CSA 31 Zone F, and CSA 31 Zone G is to provide maintenance of additional areas of open space in the community of Shaver Lake.

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

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements

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

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

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

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

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

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

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

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

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

The District reports the following major governmental funds:

> The *special revenue fund* accounts for special revenue that is legally restricted to expenditures for a particular purpose. The special revenue fund is the primary operating fund of CSA 31, CSA 31 Zone C, CSA 31 Zone D, CSA 31 Zone E, CSA 31 Zone F, and CSA 31 Zone G.

The District reports the following major proprietary funds:

> The *enterprise funds* accounts for those operations that provide services to the public. This type of fund is used to account for the financial activities of CSA 31 Zone B.

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

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. The District has not determined its effect on the financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Assets or Equity

1. Cash and Cash Equivalents

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

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

2. Accounts Payable and Due to Primary Government

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 and due to primary government balances of $63,766 and $20,275, respectively, as of June 30, 2010, are related to certain contract services and payments for utility fees.

3. Capital Assets

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

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

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

Buildings and Improvements	Useful Life
Buildings	25-50 Years
Water tank	30 Years
Center restroom	30 Years
Well	20-30 Years

Equipment	Useful Life
Fire apparatus and equipment	10-18 Years
Vehicles	5 Years
Radio tower	5 Years

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Equity

Fund Balance

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

Net Assets

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

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

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

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

5. Property Taxes

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

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

All jurisdictions within California derive their taxing authority form 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.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Property Taxes (Continued)

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

6. Use of Estimates

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

NOTE 2 — STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

Encumbrances, which are commitments related to executory contracts for goods or services, are recorded for budgetary control purposes in governmental funds. Encumbrance accounting is used to assure effective budgetary control and accountability and to facilitate effective cash planning and control. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Unencumbered appropriations lapse at year-end and encumbrances outstanding at the time are reported as reservations of fund balance for subsequent year expenditures. The District did not have any outstanding encumbrances at June 30, 2010.

NOTE 3 — CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2010, consist of the following:

Deposits with County of Fresno Treasurer	$ 944,645
Total cash and cash equivalents	$ 944,645

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	$ 944,645
Total cash and cash equivalents	$ 944,645

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, 2010.

COUNTY SERVICE AREA NO. 31
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 4 — CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010, was as follows:

	July 1,2009 Balance	Additions	Retirements	June 30, 2010 Balance
GOVERNMENTAL ACTIVITIES				
Capital assets being depreciated:				
Structure and improvements	$ 207,635	$ -	$ -	$ 207,635
Machinery and equipment	637,437	-	-	637,437
Total capital assets being depreciated	845,072	-	-	845,072
Less accumulated depreciation:				
Structure and improvements	(46,869)	(6,921)	-	(53,790)
Machinery and equipment	(241,887)	(45,383)	-	(287,270)
Total accumulated depreciation	(288,756)	(52,304)	-	(341,060)
Governmental Activities Capital Assets, Net	$ 556,316	$ (52,304)	$ -	$ 504,012
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated:				
Land	$ 329,842	$ -	$ -	$ 329,842
Total capital assets not being depreciated	329,842	-	-	329,842
Capital assets being depreciated:				
Structures and improvements	7,541,620	-	-	7,541,620
Machinery and equipment	78,118	-	-	78,118
Total capital assets being depreciated	7,619,738	-	-	7,619,738
Less accumulated depreciation:				
Structures and improvements	(3,344,596)	(160,041)	-	(3,504,637)
Machinery and equipment	(55,187)	(6,309)	-	(61,496)
Total accumulated depreciation	(3,399,783)	(166,350)	-	(3,566,133)
Total capital assets being depreciated, net	4,219,955	(166,350)	-	4,053,605
Business-Type Activities Capital Assets, Net	$ 4,549,797	$ (166,350)	$ -	$ 4,383,447

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

Governmental Activities:	
Public Ways and Facilities	$ 52,304
Business-Type Activities:	
Water and Sewer	166,350
	$ 218,654

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 CONTIGENCIES

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

COUNTY SERVICE AREA NO. 32
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

For the Year Ended
June 30, 2010

COUNTY SERVICE AREA NO. 32
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2010

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PRICE
PAIGE&
COMPANY
ACCOUNTANCY CORPORATION

INDEPENDENT AUDITOR'S REPORT

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

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 32 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 32, as of June 30, 2010, 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. 32 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined it is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Clovis, California
June 30, 2011

677 Scott Avenue, Clovis, California 93612
Telephone (559) 299-9540 • *Fax* (559) 299-2344 • *E-mail* ppc@ppcpas.com • www.ppcpas.com

COUNTY SERVICE AREA NO. 32
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2010

ASSETS	
Current assets:	
Cash and cash equivalents	$ 57,436
Receivables:	
Accounts	21,909
Interest	357
Total current assets	79,702
Non-current assets:	
Capital assets:	
Nondepreciable:	
Land	110,822
Depreciable:	
Machinery and equipment	1,404,884
Less: accumulated depreciation	(1,012,066)
Total non-current assets	503,640
Total assets	583,342
LIABILITIES	
Current liabilities:	
Accounts payable	10,634
Due to primary government	68,808
Total liabilities	79,442
NET ASSETS	
Invested in capital assets	503,640
Unrestricted	260
Total net assets	$ 503,900

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

COUNTY SERVICE AREA NO. 32
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2010

Operating revenues:	
Charges for services	$ 163,891
Total operating revenues	163,891
Operating expenses:	
Water expense	44,699
Disposal expense	20,518
Liability insurance	252
Maintenance - buildings and grounds	13,769
Office expense	90
Postage	709
Professional and specialized services	75,974
Special department expenses	13,953
Utilities	21,333
Depreciation	18,445
Total operating expenses	209,742
Operating income (loss)	(45,851)
Non-operating revenues (expenses):	
Investment earnings	1,543
Total non-operating revenues (expenses)	1,543
Change in net assets	(44,308)
Total net assets - beginning	548,208
Total net assets - ending	$ 503,900

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

COUNTY SERVICE AREA NO. 32
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

Cash flows from operating activities:	
Cash received from users	$ 161,255
Cash paid to suppliers	(179,845)
Net cash provided by (used in) operating activities	(18,590)
Cash flows from investing activities:	
Interest on investments	1,609
Net cash provided by (used in) investing activities	1,609
Net increase (decrease) in cash and cash equivalents	(16,981)
Cash and cash equivalents - beginning	74,417
Cash and cash equivalents - ending	$ 57,436

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

Operating income (loss)	$ (45,851)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	18,445
(Increase) decrease in accounts receivable	(2,636)
Increase (decrease) in accounts payable	8,448
Increase (decrease) in due to primary government	3,004
Total adjustments	27,261
Net cash provided by (used in) operating activities	$ (18,590)

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

County Service Area No. 32, (District), is as a political subdivision of the State of California generally referred to as a “special district.” The function of the District is to provide water, sewer, garbage collection, street lighting and recreational facilities for the community of Cantua Creek, a farm labor housing development. The subdivision is located at Clarkson Avenue, west of San Mateo Avenue in Cantua Creek. Maintenance is provided by contract with the California Water Services. Lighting is provided by contract with PG&E. The District is not subject to federal or state income taxes.

The District 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 1981 under the provision of the Government Code Section 25210.1 et. seq. and is governed by the County of Fresno Board of Supervisors. The District is a component unit of the County of Fresno (County).

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

B. Basis of Accounting

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

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

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

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. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. New Pronouncements (Continued)

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

D. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

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

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

2. Accounts Receivable

The "direct write-off" method for accounts receivable was applied for accounts that had been established as uncollectible. As expense was recognized when an account was referred to the Revenue Reimbursement Division of the Auditor-Controller/Treasurer-Tax Collector and a Discharge of Accountability was received. The "direct write-off" method is not in compliance with generally accepted accounting principles, but the result was deemed immaterial to the financial statements as a whole. The District wrote off $2,460 during the period.

3. Accounts Payable and Due to Primary Government

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 and due to primary government balances of $10,634 and $68,808, respectively, as of June 30, 2010, are related to certain contract services and payments for utility fees.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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:

Property Type	Useful Life
Water System	25 Years
Sewer System	25 Years
Water Tank	30 Years
Water Treatment Plant	25 Years
Standby Well	30 Years

5. Net Assets

Net assets are reported in three categories as follows:

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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 form 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, 2010, consist of the following:

Deposit with the County of Fresno Treasurer	$ 57,436
Total cash and cash equivalents	$ 57,436

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and cash equivalents	$ 57,436
Total cash and cash equivalents	$ 57,436

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, 2010.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010, was as follows:

	July 1, 2009 Balance	Additions	Retirements	June 30, 2010 Balance
Capital assets not being depreciated:				
Land	$ 110,822	$ -	$ -	$ 110,822
Total capital assets not being depreciated	110,822	-	-	110,822
Capital assets being depreciated:				
Machinery and equipment	1,404,884	-	-	1,404,884
Total capital assets being depreciated	1,404,884	-	-	1,404,884
Less accumulated depreciation:				
Machinery and equipment	(993,621)	(18,445)	-	(1,012,066)
Total accumulated depreciation	(993,621)	(18,445)	-	(1,012,066)
Capital Assets, Net	$ 522,085	$ (18,445)	$ -	$ 503,640

NOTE 4 – RISK MANAGEMENT

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

NOTE 5 – COMMITMENTS AND CONTIGENCIES

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

COUNTY SERVICE AREA NO. 33
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

For the Year Ended
June 30, 2010

COUNTY SERVICE AREA NO. 33
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2010

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PRICE
PAIGE&
COMPANY
ACCOUNTANCY CORPORATION

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 and each major fund of County Service Area No. 33 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 33, as of June 30, 2010, and the respective changes in financial position and the respective budgetary comparison for the major Special Revenue Fund, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 33 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Clovis, California
June 27, 2011

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COUNTY SERVICE AREA NO. 33
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
June 30, 2010

	Governmental Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash and cash equivalents	$ 70,982	$ -	$ 70,982
Interest receivable	370	-	370
Total assets	$ 71,352	-	71,352
LIABILITIES			
Accounts payable	$ 1,902	-	1,902
Due to primary government	130	-	130
Total liabilities	2,032	-	2,032
FUND BALANCE/NET ASSETS			
Fund balance:			
Unreserved	69,320	(69,320)	-
Total fund balance	69,320	(69,320)	-
Total liabilities and fund balance	$ 71,352		
Net assets:			
Unrestricted		69,320	69,320
Total net assets		$ 69,320	$ 69,320

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

COUNTY SERVICE AREA NO. 33
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2010

	Governmental Fund	Adjustments	Statement of Activities
Expenditures/Expenses			
Public ways and facilities	$ 17,536	$ -	$ 17,536
Total expenditures/expenses	17,536	-	17,536
Revenues			
Program revenue:			
Charges for services	6,664	-	6,664
Total program revenue	6,664	-	6,664
Net program expense			(10,872)
General revenue:			
Property taxes	10,675	-	10,675
Unrestricted investment earnings	1,434	-	1,434
Miscellaneous	160	-	160
Total general revenues	12,269	-	12,269
Excess (deficiency) of revenues over (under) expenditures	1,397	(1,397)	-
Change in net assets	-	1,397	1,397
Fund balance/net assets:			
Beginning of the year	67,923	-	67,923
End of the year	$ 69,320	$ -	$ 69,320

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

COUNTY SERVICE AREA NO. 33
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance - July 1, 2009	$ 68,822	$ 68,822	$ 69,015	$ 193
Resources (inflows):				
Taxes	13,000	13,000	10,675	(2,325)
Use of money and property	1,950	1,950	1,459	(491)
Intergovernmental revenues	-	-	160	160
Charges for current services	6,688	6,688	6,664	(24)
Amounts available for appropriations	21,638	21,638	18,958	(2,680)
Charges to Appropriations (outflows):				
Public ways and facilities:				
Services and supplies	25,500	25,500	17,222	8,278
Contingencies	2,550	2,550	-	2,550
Total charges to appropriations	28,050	28,050	17,222	10,828
Budgetary Fund Balance - June 30, 2010	$ 62,410	$ 62,410	$ 70,751	$ 8,341

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

Sources/inflows of resources:	
Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule not including fund balance	$ 18,958
Differences - budget to GAAP Modified accrual basis of accounting to budgetary basis of accounting	(25)
Total revenues as reported on the statement of revenues and expenditures and changes in fund balance	$ 18,933
Uses/outflows of resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 17,222
Differences - budget to GAAP Modified accrual basis of accounting to budgetary basis of accounting	314
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	$ 17,536

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

County Service Area No. 33, a special district (District) is a special revenue fund of the County of Fresno (County), which is a political subdivision of the State of California. The District was formed in 1981 under the provisions of Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors (Board). The District is a component unit of the County of Fresno. The District was originally formed to provide street lighting for the Malaga Community. Since then, the McNeill-Fresno Industrial Park and the adjacent area, referred to as the Shapazian-McNeill Annexation, were annexed into the District. Street lighting is provided throughout the District while the Shapazian-McNeill Annexation receives both street lighting and landscape maintenance. The District contains 176 single family residences, 4 industrial parcels, and 27 undeveloped parcels. The District is not subject to federal or state income taxes.

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

The District itself does not employ any personnel. Street lighting is provided by Pacific Gas & Electric. Water service is provided by the Malaga County Water District. The District contracts with an outside vendor to furnish all the labor and materials required for the performance of landscape maintenance. The Department of Public Works and Planning staff provides the necessary accounting services to the District on a reimbursement basis.

B. Government-Wide and Fund Financial Statements

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

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

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

The District reports the following major governmental funds:

> The *special revenue fund* accounts for special revenue that is legally restricted to expenditures for a particular purpose. The special revenue fund is the primary operating fund of County Service Area No. 33.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. The District has not determined its effect on the financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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. Accounts Payable and Due to Primary Government

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 and due to primary government balances of $1,902 and $130, respectively, as of June 30, 2010, are related to certain contract services and payments for utility fees.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Property Taxes (Continued)

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

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

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

5. Use of Estimates

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

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.

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

A. Budgetary Information (Continued)

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, 2010.

NOTE 3 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2010, consist of the following:

Deposits with County of Fresno Treasurer	$ 70,982
Total cash and cash equivalents	$ 70,982

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	$ 70,982
Total cash and cash equivalents	$ 70,982

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, 2010.

NOTE 4 – RISK MANAGEMENT

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

NOTE 5 – COMMITMENTS AND CONTINGENCIES

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

COUNTY SERVICE AREA NO. 34
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

For the Year Ended
June 30, 2010

COUNTY SERVICE AREA NO. 34
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2010

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PRICE PAIGE & COMPANY
ACCOUNTANCY CORPORATION

INDEPENDENT AUDITOR'S REPORT

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

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 34 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 34 as of June 30, 2010, and the respective changes in financial position and cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 34 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Clovis, California
June 27, 2011

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COUNTY SERVICE AREA NO. 34
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2010

ASSETS	
Current assets:	
Cash and cash equivalents	$ 661,500
Receivables:	
Accounts	56,525
Interest	4,694
Total current assets	722,719
Non-current assets:	
Capital assets:	
Non-depreciable:	
Construction in Progress	801,405
Depreciable:	
Buildings and improvements	4,585,010
Machinery and equipment	44,128
Less: accumulated depreciation	(1,407,296)
Total non-current assets	4,023,247
Total assets	4,745,966
LIABILITIES	
Current liabilities:	
Accounts payable	54,071
Due to primary government	28,564
Deferred revenue	148,595
Total liabilities	231,230
NET ASSETS	
Invested in capital assets	4,023,248
Unrestricted	491,488
Total net assets	$ 4,514,736

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

COUNTY SERVICE AREA NO. 34
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2010

Operating revenues:	
Other operating revenues	$ 654,178
Total operating revenue	654,178
Operating expenses:	
Insurance	2,399
Professional services	275,577
Special department	34,598
General and administrative	267,965
Repairs and maintenance	61,989
Utilities	78,136
Depreciation	113,648
Total operating expenses	834,312
Operating income (loss)	(180,134)
Non-operating revenues (expenses):	
Grant revenues	808,419
Investment earnings	12,029
Total non-operating revenues (expenses)	820,448
Net income (loss) before capital contributions	640,314
Change in net assets	640,314
Net assets - beginning	3,829,248
Prior period adjustments	45,174
Net assets - ending	$ 4,514,736

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

COUNTY SERVICE AREA NO. 34
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

Cash flows from operating activities:		
Cash received from users	$	705,164
Cash paid to suppliers		(724,970)
Other operating receipts		27,549
Net cash provided by (used in) operating activities		7,743
Cash flows from capital and related financing activities:		
Subsidies from capital grants		957,014
Net cash provided by (used in) capital and related financing activities		957,014
Cash flows from investing activities:		
Acquisition of capital assets		(756,232)
Interest on investments		9,907
Net cash provided by (used in) investing activities		(746,325)
Net increase (decrease) in cash and cash equivalents		218,432
Cash and cash equivalents - beginning		443,068
Cash and cash equivalents - ending	$	661,500

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

Operating income (loss)	$	(180,134)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense		113,648
(Increase) decrease in accounts receivable		78,535
Increase (decrease) in accounts payable		(11,865)
Increase (decrease) in due to primary government		7,559
Total adjustments		187,877
Net cash provided by (used in) operating activities	$	7,743

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

COUNTY SERVICE AREA NO. 34
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

County Service Area No. 34, a special district (District), is an enterprise fund of the County of Fresno (County), which is a political subdivision of the State of California. The District was formed in 1986 under the provisions of Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors. The function of the District is to provide a full range of extended governmental services for the community of Millerton New Town. The area contains 1,018 acres and is located one and one-half miles east of the Friant Community, along both sides of Millerton Road. The proposed community will eventually contain 3,500 residences plus associated commercial and public facilities. The District is currently being divided into three zones: County Service Area No. 34 (Original Zone), County Service Area Zone “A” (Zone “A”) and County Service Area Zone “B” (Zone “B”).

Water services in the Original Zone are currently being provided by water reservations entered into prior to the current reporting period. Upon future growth of the District and expiration of the water reservations, the District will provide community water to its members.

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

In 1989, the District’s Zone “A” was formed to provide community services for the developing property known as Brighton Crest. Zone “A”, lying on the east side of Millerton Road, was formed to provide water, sewer, road maintenance and street lighting services to the residents of the community. Zone “A” consists of 442 acres, including a golf course, 151 single-family lots of which approximately 42 have constructed homes, and some undeveloped land.

The County Board of Supervisors formed Zone “B” of the District on October 26, 2004. Zone “B” was established for the maintenance and operation of infrastructure for municipal water services to the Ventana Hills Estates subdivision. Zone “B” benefits approximately 90 lots located on the north side of Auberry Road. All costs associated with the operation, maintenance, and County staff costs will be paid by the benefiting properties.

The County Board of Supervisors formed on September 14, 2004. Zone “C” was established to provide road maintenance, street light maintenance and water services to the south of Millerton Road, approximately two miles east of Friant Road. Zone “C” benefits approximately 161 lots. All costs associated with the operation, maintenance, and County staff costs will be paid by the benefiting properties.

The combined District is not subject to federal or state income taxes. The District is a component unit of the County of Fresno.

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.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting

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

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

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

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

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

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

C. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District’s financial statements.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. New Pronouncements (Continued)

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

D. 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.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets (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 wrote off $857 during the period.

3. Accounts Payable and Due to Primary Government

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 and due to primary government balances of $54,071 and $28,564, respectively, as of June 30, 2010, are 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:

Property Type	Useful Life
Equipment	5 Years
Service vehicle	5 Years
Land improvements	15 Years
Generator	20 Years
Water treatment plant	40 Years

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets (Continued)

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.

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.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets (Continued)

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, 2010, consist of the following:

Deposits with County of Fresno Treasurer	$ 661,500
Total cash and cash equivalents	$ 661,500

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	$ 661,500
Total cash and cash equivalents	$ 661,500

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, 2010.

COUNTY SERVICE AREA NO. 34
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 3 — CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010, was as follows:

	July 1, 2009 Balance	Additions	Retirements	June 30, 2010 Balance
Non-depreciable capital assets:				
Construction in Progress	$ 45,173	$ 756,232	$ -	$ 801,405
Total non-depreciable capital assets	45,173	756,232	-	801,405
Capital assets being depreciated:				
Buildings and improvements	4,585,010	-	-	$ 4,585,010
Machinery and equipment	44,128	-	-	44,128
Total capital assest being depreciated	4,629,138	-	-	4,629,138
Less accumulated depreciation:				
Buildings and improvements	(1,261,359)	(112,564)	-	(1,373,923)
Machinery and equipment	(32,289)	(1,084)	-	(33,373)
Total accumulated depreciation	(1,293,648)	(113,648)	-	(1,407,296)
Capital Assets, Net	$ 3,380,663	$ 642,584	$ -	$ 4,023,247

NOTE 4 — DEFERRED REVENUE

Deferred revenue as of June 30, 2010, consists of the following:

Table Mountain Rancheria	$ 148,595
Total deferred revenue	$ 148,595

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 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 7 — PRIOR PERIOD ADJUSTMENTS

The District made the following adjustments to the Enterprise Fund at July 1, 2009:

Understatement of capital assets	$ 45,174
Total	$ 45,174

COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

For the Year Ended
June 30, 2010

COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2010

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PRICE PAIGE & COMPANY
ACCOUNTANCY CORPORATION

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 and each major fund of County Service Area No. 35 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 35, as of June 30, 2010, and the respective changes in financial position and the respective budgetary comparison for the major Special Revenue Fund, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 35 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Clovis, California
June 27, 2011

677 Scott Avenue, Clovis, California 93612
Telephone (559) 299-9540 • *Fax* (559) 299-2344 • *E-mail* ppc@ppcpas.com • www.ppcpas.com

COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
June 30, 2010

	Governmental Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash and cash equivalents	$ 3,257,666	$ -	$ 3,257,666
Interest receivable	16,895	-	16,895
Total assets	$ 3,274,561	-	3,274,561
LIABILITIES			
Accounts payable	$ 6,753	-	6,753
Due to primary government	23,545	-	23,545
Total liabilities	30,298	-	30,298
FUND BALANCE/NET ASSETS			
Fund balance:			
Unreserved	3,244,263	(3,244,263)	-
Total fund balance	3,244,263	(3,244,263)	-
Total liabilities and fund balance	$ 3,274,561		
Net assets:			
Unrestricted		3,244,263	3,244,263
Total net assets		$ 3,244,263	$ 3,244,263

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

COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2010

	Governmental Fund	Adjustments	Statement of Activities
Expenditures/Expenses			
Public ways and facilities	$ 554,865	$ -	$ 554,865
Total expenditures/expenses	554,865	-	554,865
Revenues			
Program revenue:			
Charges for services	884,131	-	884,131
Total program revenue	884,131	-	884,131
Net program revenue			329,266
General revenue:			
Unrestricted investment earnings	62,363	-	62,363
Total general revenues	62,363	-	62,363
Excess (deficiency) of revenues over (under) expenditures	391,629	(391,629)	-
Change in net assets	-	391,629	391,629
Fund balance/net assets:			
Beginning of the year	2,782,634	-	2,782,634
Prior period adjustment	70,000	-	70,000
End of the year	$ 3,244,263	$ -	$ 3,244,263

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

COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance - July 1, 2009	$ 2,800,894	$ 2,800,894	$ 2,971,042	$ 170,148
Resources (inflows):				
Use of money and property	62,260	62,260	61,992	(268)
Charges for current services	888,236	888,236	884,131	(4,105)
Amounts available from appropriations	950,496	950,496	946,123	(4,373)
Charges to Appropriations (outflows):				
Road Maintenance - Service and Supplies:				
Zone				
A	54,386	54,386	12,426	41,960
B	110,842	110,842	17,880	92,962
C	38,938	38,938	8,305	30,633
D	25,445	25,445	2,372	23,073
E	15,327	15,327	4,873	10,454
F	44,466	44,466	9,539	34,927
G	56,274	56,274	7,835	48,439
H	6,146	6,146	552	5,594
I	58,304	58,304	6,469	51,835
J	14,225	14,225	1,804	12,421
K	15,279	15,279	1,572	13,707
M	15,509	15,509	3,907	11,602
N	10,192	10,192	1,012	9,180
O	74,880	74,880	69,905	4,975
P	6,840	6,840	857	5,983
S	66,493	66,493	5,302	61,191
T	9,258	9,258	864	8,394
U	49,870	49,870	4,156	45,714
V	129,911	129,911	31,562	98,349
X	12,561	12,561	945	11,616
Z	35,239	35,239	2,789	32,450
AA	29,080	29,080	2,300	26,780
AB	9,478	9,478	722	8,756
AC	45,312	45,312	3,605	41,707
AD	25,439	25,439	2,019	23,420
AE	25,266	25,266	2,649	22,617
AF	29,671	29,671	2,383	27,288
AG	200,873	200,873	90,964	109,909
AH	29,193	29,193	2,452	26,741
AI	10,633	10,633	848	9,785
AJ	17,805	17,805	1,313	16,492
AK	14,001	14,001	6,358	7,643

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

COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Charges to Appropriations (outflows):				
Road Maintenance - Service and Supplies (continued):				
Zone				
AM	14,985	14,985	1,253	13,732
AN	15,759	15,759	1,306	14,453
AO	30,176	30,176	2,453	27,723
AP	9,877	9,877	1,102	8,775
AQ	17,955	17,955	1,501	16,454
AR	26,540	26,540	5,400	21,140
AS	216,848	216,848	98,053	118,795
AT	112,255	112,255	25,582	86,673
AU	38,778	38,778	3,319	35,459
AV	14,933	14,933	1,238	13,695
AX	9,444	9,444	731	8,713
AY	16,568	16,568	1,372	15,196
AZ	6,476	6,476	789	5,687
BA	35,598	35,598	2,829	32,769
BB	17,125	17,125	1,434	15,691
BC	6,772	6,772	857	5,915
BD	14,925	14,925	1,267	13,658
BG	28,197	28,197	3,988	24,209
BH	7,124	7,124	727	6,397
BI	31,487	31,487	2,602	28,885
BJ	28,052	28,052	2,329	25,723
BL	18,297	18,297	413	17,884
BM	10,364	10,364	886	9,478
BN	4,642	4,642	472	4,170
BO	12,895	12,895	922	11,973
BQ	18,899	18,899	1,620	17,279
BR	8,304	8,304	753	7,551
BS	6,869	6,869	838	6,031
BU	7,205	7,205	533	6,672
BW	7,437	7,437	634	6,803
BX	7,785	7,785	650	7,135
BY	5,734	5,734	449	5,285
CA	3,806	3,806	353	3,453
CB	3,002	3,002	333	2,669
CC	10,501	10,501	816	9,685
CD	28,904	28,904	15,169	13,735
CE	4,672	4,672	408	4,264
CF	4,487	4,487	402	4,085
CG	22,048	22,048	3,573	18,475
CI	89,612	89,612	18,189	71,423

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

COUNTY SERVICE AREA NO. 35
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Charges to Appropriations (outflows):				
Road Maintenance - Service and Supplies (continued):				
Zone				
CL	6,324	6,324	442	5,882
CM	3,000	3,000	230	2,770
CN	17,059	17,059	1,182	15,877
CP	3,367	3,367	1,339	2,028
CQ	12,751	12,751	1,272	11,479
CS	2,895	2,895	225	2,670
CU	9,681	9,681	647	9,034
CV	3,403	3,403	219	3,184
Total charges to appropriations	2,320,953	2,320,953	523,640	1,797,313
Budgetary Fund Balance - June 30, 2010	$ 1,430,437	$ 1,430,437	$ 3,393,525	$ 1,963,088

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

Sources/Inflows of Resources:	
Actual amounts (budgetary basis) "available from appropriations" from the budgetary comparison schedule	$ 946,123
Differences - Budget to GAAP	
Budgetary basis to modified accrual basis adjustment	371
Total revenues as reported on the combining statement of revenues and expenditures, and changes in fund balance - nonmajor special revenue funds	$ 946,494
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "available from appropriations" from the budgetary comparison schedule	$ 523,640
Differences - Budget to GAAP	
Budgetary basis to modified accrual basis adjustment	31,225
Total expenditures as reported on the combining statement of revenues and expenditures, and changes in fund balance - nonmajor special revenue funds	$ 554,865

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

County Service Area No. 35, a special district (District), is a special revenue fund of the County of Fresno (County), which is a political subdivision of the State of California. The District was formed under the provisions of Government Code Section 25210.1 et. seq., and is comprised of seventy active independent zones located throughout the County of Fresno. The District is governed by the County of Fresno Board of Supervisors (Board). The District is a component unit of the County of Fresno. The District is dynamic in that new zones are added and old zones deleted, as warranted and with approval of the Board. The function of the District is to provide road maintenance in each zone. The cost of road maintenance is generally only shared equally among the property owners on a per parcel basis of each of the District's independent zone. The District is not subject to federal or state income taxes.

During the current fiscal year, one other zone that was active as of last audit period, "O", became inactive during the current fiscal year period. As a result, the District reported a total of eighty active zones.

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

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

B. Government-Wide and Fund Financial Statements

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

Governmental Fund Financial Statements

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

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

The District reports the following major governmental funds:

> The *special revenue fund* accounts for special revenue that is legally restricted to expenditures for a particular purpose. The special revenue fund is the primary operating fund of County Service Area No. 35.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. The District has not determined its effect on the financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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. Accounts Payable and Due to Primary Government

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 and due to primary government balances of $6,753 and $23,545, respectively, as of June 30, 2010, are related to certain contract services and maintenance expenses.

3. Equity

Fund Balance

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

Net Assets

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Property Taxes

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

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

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

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

5. Use of Estimates

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

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, 2010.

NOTE 3 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2010, consist of the following:

Deposits with County of Fresno Treasurer	$ 3,257,666
Total cash and cash equivalents	$ 3,257,666

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	$ 3,257,666
Total cash and cash equivalents	$ 3,257,666

NOTE 3 – 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, 2010.

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.

NOTE 6 — PRIOR PERIOD ADJUSTMENTS

The District made the following adjustments to the Governmental Fund at July 1, 2009:

Subdivider Financing Deposit	$ 70,000
Total	$ 70,000

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

For the Year Ended
June 30, 2010

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2010

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PRICE PAIGE & COMPANY
ACCOUNTANCY CORPORATION

INDEPENDENT AUDITOR'S REPORT

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

Members of the Board:

We have audited the accompanying financial statements of County Service Area No. 39 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of County Service Area No. 39, as of June 30, 2010, and the respective changes in financial position and cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

County Service Area No. 39 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Clovis, California
June 26, 2011

677 Scott Avenue, Clovis, California 93612
Telephone (559) 299-9540 • *Fax* (559) 299-2344 • *E-mail* ppc@ppcpas.com • www.ppcpas.com

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2010

ASSETS	
Current assets:	
Cash and cash equivalents	$ 55,290
Receivables:	
Accounts	14,875
Interest	284
Total current assets	70,449
Non-current assets:	
Capital assets:	
Depreciable:	
Machinery and equipment	1,115,384
Less: accumulated depreciation	(975,961)
Total noncurrent assets	139,423
Total assets	209,872
LIABILITIES	
Current liabilities:	
Accounts payable	6,050
Due to primary government	6,451
Total liabilities	12,501
NET ASSETS	
Invested in capital assets	139,423
Unrestricted	57,948
Total net assets	$ 197,371

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

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2010

Operating revenues:	
Charges for services	$ 64,260
Total operating revenues	64,260
Operating expenses:	
Insurance	1,073
General and administrative	850
Professional services	34,965
Repairs and maintenance	7,735
Special departmental expenses	2,489
Utilities	25,238
Depreciation	55,770
Total operating expenses	128,120
Operating income (loss)	(63,860)
Non-operating revenues (expenses):	
Investment earnings	1,115
Total non-operating revenues (expenses)	1,115
Change in net assets	(62,745)
Net assets - beginning	260,116
Net assets - ending	$ 197,371

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

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

Cash flows from operating activities:	
Cash received from users	$ 65,565
Cash paid to suppliers	(68,025)
Net cash provided by (used in) operating activities	(2,460)
Cash flows from investing activities:	
Interest on investments	1,161
Net cash provided by (used in) investing activities	1,161
Net increase (decrease) in cash and cash equivalents	(1,299)
Cash and cash equivalents - beginning	56,589
Cash and cash equivalents - ending	$ 55,290

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

Operating income (loss)	$ (63,860)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	55,770
(Increase) decrease in accounts receivable	1,305
Increase (decrease) in accounts payable	449
Increase (decrease) in due to primary government	3,876
Total adjustments	61,400
Net cash provided by (used in) operating activities	$ (2,460)

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

County Service Area No. 39, a special district (District), is an enterprise fund of the County of Fresno (County), which is a political subdivision of the State of California. County Service Area was formed to provide domestic water service to two residential subdivisions west of the incorporated City of Fresno, near Valentine and Jensen Avenues. The District constructed a pipeline that continues to transfer water, purchased from the City of Fresno, to the residents of the District.

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

The District was formed in 1990 under the provisions of Government Code Section 25210.1 et. seq., and is governed by the County Board of Supervisors. The District is a component unit of the County of Fresno.

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

B. Basis of Accounting

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

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

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

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. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. New Pronouncements (Continued)

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

D. 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 wrote off $5,684 during the period.

3. Accounts Payable and Due to Primary Government

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 and due to primary government balances of $6,050 and $6,450, respectively, as of June 30, 2010, are related to certain contract services and payments for utility fees.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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:

Equipment Type	Useful Life
Machinery and equipment	20 Years

5. Net Assets

Net assets are reported in three categories as follows:

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

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

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

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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.

NOTE 2 — CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2010, consist of the following:

Deposits with County of Fresno Treasurer	$ 55,290
Total cash and cash equivalents	$ 55,290

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	$ 55,290
Total cash and cash equivalents	$ 55,290

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, 2010.

NOTE 3 — CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010, was as follows:

	June 30, 2009 Balance	Additions	Retirements	June 30, 2010 Balance
Capital assets being depreciated:				
Machinery and equipment	$ 1,115,384	$ -	$ -	$ 1,115,384
Total capital assets being depreciated	1,115,384	-	-	1,115,384
Less accumulated depreciation:				
Machinery and equipment	(920,191)	(55,770)	-	(975,961)
Total accumulated depreciation	(920,191)	(55,770)	-	(975,961)
Capital Assets, Net	$ 195,193	$ (55,770)	$ -	$ 139,423

NOTE 4 — RISK MANAGEMENT

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

NOTE 5 — COMMITMENTS AND CONTIGENCIES

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

COUNTY SERVICE AREA NO. 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, 2010

COUNTY SERVICE AREA NO. 43
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
June 30, 2010

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PRICE PAIGE & COMPANY
ACCOUNTANCY CORPORATION

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. 43 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2010, 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. 43, as of June 30, 2010, 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. 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

Clovis, California
June 27, 2011

677 Scott Avenue, Clovis, California 93612
Telephone (559) 299-9540 • *Fax* (559) 299-2344 • *E-mail* ppc@ppcpas.com • www.ppcpas.com

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

STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 8,618	$ 9,880	$ 18,498
Receivables:			
Accounts	-	8,924	8,924
Interest	43	64	107
Capital assets, net of accumulated depreciation:			
Land improvements	61,907	-	61,907
Water system	-	897,261	897,261
Total assets	70,568	916,129	986,697
LIABILITIES			
Accounts payable	457	532	989
Due to primary government	313	3,872	4,185
Total liabilities	770	4,404	5,174
NET ASSETS			
Invested in capital assets	61,907	897,261	959,168
Unrestricted	7,891	14,464	22,355
Total net assets	$ 69,798	$ 911,725	$ 981,523

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, 2010

		Program Revenues		Net (Expenses) Revenues and Changes in Net Assets		
				Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs						
Primary Government:						
Governmental Activities:						
Public ways and facilities	$ 13,714	$ 9,302	$ 40	$ (4,372)	$ -	$ (4,372)
Total governmental activities	13,714	9,302	40	(4,372)	-	(4,372)
Business Activities:						
Water and sewer	56,300	32,395	-	-	(23,905)	(23,905)
Total business-type activities	56,300	32,395	-	-	(23,905)	(23,905)
Total primary government	$ 70,014	$ 41,697	$ 40	(4,372)	(23,905)	(28,277)
General Revenues:						
Property taxes				2,858	-	2,858
Unrestricted investment earnings				126	271	397
Total general revenues				2,984	271	3,255
Change in net assets				(1,388)	(23,634)	(25,022)
Net assets - beginning				1,006,545	-	1,006,545
Prior period adjustments				(935,359)	935,359	-
Net assets - ending				$ 69,798	$ 911,725	$ 981,523

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, 2010

ASSETS		
Cash and cash equivalents	$	8,618
Interest receivable		43
Total assets	$	8,661
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	$	457
Due to primary government		313
Total liabilities		770
Fund balance:		
Unreserved		7,891
Total fund balance		7,891
Total liabilities and fund balance	$	8,661

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, 2010

Fund balance - governmental funds	$	7,891
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets are not recorded in governmental fund types, but recorded in government-wide statement to conform with GAAP accounting requirements.		61,907
Net assets of governmental activity	$	69,798

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 REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

Revenues:	
Property taxes - secured and unsecured	$ 2,858
Aid from other governmental agencies:	
State	40
Service-type property assessments	9,302
Investment earnings	126
Total revenues	12,326
Expenditures:	
Current:	
Public ways and facilities:	
Maintenance - building/grounds	1,720
Professional services	4,961
Utilities	3,039
Total expenditures	9,720
Changes in fund balance	2,606
Fund balance - beginning	24,087
Prior period adjustments	(18,802)
Fund balance - ending	$ 7,891

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 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Net changes in fund balance - total governmental funds	$	2,606
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount of current year depreciation expense is $3,994. There were no capital asset additions in the current period.		(3,994)
Change in net assets of governmental activities	$	(1,388)

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)

BUDGTARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance - July 1, 2009	$ 6,373	$ 6,373	$ 6,437	$ 64
Resources (inflows):				
Taxes	3,500	3,500	2,858	(642)
Use of money and property	75	75	114	39
Charges for current services	9,263	9,263	9,303	40
Other revenues	-	-	40	40
Amounts available for appropriations	12,838	12,838	12,315	(523)
Charges to Appropriations (outflows):				
Public ways and facilities:				
Service and supplies	12,016	12,016	9,459	2,557
Contingencies	1,202	1,202	-	1,202
Total charges to appropriations	13,218	13,218	9,459	3,759
Budgetary Fund Balance - June 30, 2010	$ 5,993	$ 5,993	$ 9,293	$ 3,300

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

Sources/Inflows of Resources:	
Actual amounts (budgetary basis) "available for appropriations" from the budgetary comparison schedule not including fund balance	$ 12,315
Differences - budget to GAAP	11
Total revenues as reported on the statement of revenues and expenditures and changes in fund balance	$ 12,326
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 9,459
Differences - budget to GAAP	261
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	$ 9,720

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 NET ASSETS
ENTERPRISE FUND
June 30, 2010

ASSETS	
Current assets:	
Cash and cash equivalents	$ 9,880
Receivables:	
Accounts	8,924
Interest	64
Total current assets	18,868
Noncurrent assets:	
Capital assets:	
Depreciable:	
Water system	964,797
Less: accumulated depreciation	(67,536)
Total noncurrent assets	897,261
Total assets	916,129
LIABILITIES	
Current liabilities:	
Accounts payable	532
Due to primary government	3,872
Total liabilities	4,404
NET ASSETS	
Invested in capital assets	897,261
Unrestricted	14,464
Total net assets	$ 911,725

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 REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUND
For the Year Ended June 30, 2010

Operating revenues:	
Charges for services	$ 32,395
Total operating revenues	32,395
Operating expenses:	
Insurance	495
Maintenance - equipment	747
Maintenance - building/grounds	3,284
Office expense	59
Postage	338
Professional service	27,525
Special departmental	384
Utilities	4,172
Depreciation	19,296
Total operating expenses	56,300
Operating income (loss)	(23,905)
Non-operating revenues (expenses):	
Investment earnings	271
Total non-operating revenues (expenses)	271
Change in net assets	(23,634)
Net assets - beginning	-
Prior period adjustments	935,359
Net assets - ending	$ 911,725

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 CASH FLOWS
ENTERPRISE FUND
For the Year Ended June 30, 2010

Cash flows from operating activities:	
Cash received from users	$ 30,620
Payment to suppliers	(37,547)
Net cash provided by (used in) operating activities	(6,927)
Cash flows from investing activities:	
Interest on investments	300
Net cash provided by (used in) investing activities	300
Net increase (decrease) in cash and cash equivalents	(6,627)
Cash and cash equivalents - beginning	16,507
Cash and cash equivalents - ending	$ 9,880

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

Operating income (loss)	$ (23,905)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation expense	19,296
(Increase) decrease in accounts receivable	(1,774)
Increase (decrease) in accounts payable	(81)
Increase (decrease) in due to primary government	(463)
Total adjustments	16,978
Net cash provided by (used in) operating activities	$ (6,927)

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

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. On May 14, 2002 the Board of Supervisors, also authorized the addition of water service to County Service Area No. 43. 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 and 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.

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.

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.

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. 43.

The District reports the following major proprietary funds:

> The *enterprise funds* accounts for those operations that provide services to the public. This type of fund is used to account for the financial activities of CSA 43 Water.

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.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. The District has not determined its effect on the financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Assets or Equity

1. Cash and Cash Equivalents

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

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

2. Accounts 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 deeded immaterial to the financial statements as a whole. The District wrote off $340 during the period.

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:

Type of Asset	Estimated Useful Lives in Years
Land improvements	25
Buildings and improvements	40-50
Equipment	3-15
Water System	50

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Accounts Payable and Due to Primary Government

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 and due to primary government balances of $989 and $4,185, respectively, as of June 30, 2010, are related to certain contract services and payments for utility fees.

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.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

6. Property Taxes (Continued)

All jurisdictions within California derive their taxing authority form 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 — 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.

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, 2010.

NOTE 3 — CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2010, consist of the following:

Deposits with County of Fresno Treasurer	$ 18,498
Total cash and cash equivalents	$ 18,498

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	$ 18,498
Total cash and cash equivalents	$ 18,498

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, 2010.

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, 2010

NOTE 4 — CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010, was as follows:

	Balance 07/01/09	Additions	Retirements	Balance 06/30/10
GOVERNMENTAL ACTIVITIES				
Capital assets, being depreciated				
Land improvements	$ 107,134	$ -	$ -	$ 107,134
Total capital assets, being depreciated	107,134	-	-	107,134
Less accumulated depreciation				
Land improvements	(41,233)	(3,994)	-	(45,227)
Total accumulated depreciation	(41,233)	(3,994)	-	(45,227)
Governmental Activities Capital assets, net	$ 65,901	$ (3,994)	$ -	$ 61,907
BUSINESS-TYPE ACTIVITIES				
Capital assets, being depreciated				
Water system	$ 964,797	$ -	$ -	$ 964,797
Total capital assets, being depreciated	964,797	-	-	964,797
Less accumulated depreciation				
Water system	(48,240)	(19,296)	-	(67,536)
Total accumulated depreciation	(48,240)	(19,296)	-	(67,536)
Business-Type Activities Capital assets, net	$ 916,557	$ (19,296)	$ -	$ 897,261

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

Governmental Activities:	
Public Ways and Facilities	$ 3,994
Business-Type Activities:	
Water	19,296
	$ 23,290

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 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 7 — PRIOR PERIOD ADJUSTMENTS

During the current year, it was determined that CSA No. 43 Water was presented as a special revenue fund in the financial statements in prior years and should be presented as an enterprise fund. CSA No. 43 was used to provide only the street lighting and parks maintenance services before it added the water component in fiscal year 2006-2007. The correction of this error resulted in the following adjustments to the opening fund and net assets balances.

Governmental fund	($18,802)
Governmental activities	($935,359)
Business-type activities	$935,359

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, 2010

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

June 30, 2010

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PRICE PAIGE & COMPANY
ACCOUNTANCY CORPORATION

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, 2010, 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, 2010, 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

Clovis, California
June 27, 2011

677 Scott Avenue, Clovis, California 93612
Telephone (559) 299-9540 • *Fax* (559) 299-2344 • *E-mail* ppc@ppcpas.com • www.ppcpas.com

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

STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 90,245	$ 96,907	$ 187,152
Receivables:			
Accounts	-	47,608	47,608
Interest	469	440	909
Capital assets, net of accumulated depreciation	-	137,033	137,033
Total assets	90,714	281,988	372,702
LIABILITIES			
Accounts payable	245	20,260	20,505
Due to primary government	329	33,093	33,422
Total liabilities	574	53,353	53,927
NET ASSETS			
Invested in capital assets	-	137,033	137,033
Unrestricted	90,140	91,602	181,742
Total net assets	$ 90,140	$ 228,635	$ 318,775

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, 2010

		Program Revenues	Net (Expenses) Revenues and Changes in Net Assets — Primary Government		
	Expenses	Charges for Services	Governmental Activities	Business-Type Activities	Total
Functions/Programs					
Primary Government					
Governmental Activities:					
Public ways and facilities	$ 6,502	$ 338	$ (6,164)	$ -	$ (6,164)
Total governmental activities	6,502	338	(6,164)	-	(6,164)
Business Activities:					
Water and sewer	354,852	339,040	-	(15,812)	(15,812)
Total business-type activities	354,852	339,040	-	(15,812)	(15,812)
Total primary government	$ 361,354	$ 339,378	(6,164)	(15,812)	(21,976)
General Revenues:					
Property taxes			9,645	-	9,645
Unrestricted investment earnings			1,815	1,529	3,344
Miscellaneous			152	-	152
Total general revenues			11,612	1,529	13,141
Change in net assets			5,448	(14,283)	(8,835)
Net assets - beginning			84,692	242,918	327,610
Net assets - ending			$ 90,140	$ 228,635	$ 318,775

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, 2010

ASSETS		
Cash and cash equivalents	$	90,245
Interest receivable		469
Total assets	$	90,714
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	$	245
Due to primary government		329
Total liabilities		574
Fund balance:		
Unreserved		90,140
Total fund balance		90,140
Total liabilities and fund balance	$	90,714

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, 2010

Reconciliation of the Balance Sheet to the Statement of Net Assets:

Fund balance - governmental funds	$	90,140
Amounts reported for governmental activities in the statement of net assets are different because:		
Adjustments - modified accrual to full accrual		-
Net assets of governmental activities	$	90,140

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, 2010

Revenues:	
Taxes	$ 9,645
Investment earnings	1,815
Aid from other governmental agencies:	
State	152
Charges for services	338
Total revenues	11,950
Expenditures:	
Current:	
Public ways and facilities:	
PeopleSoft financials charge	191
Professional and specialized services	3,374
Utilities	2,937
Total expenditures	6,502
Changes in fund balance	5,448
Fund balance - beginning	84,692
Fund balance - ending	$ 90,140

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, 2010

Net changes in fund balance - total governmental funds	$	5,448
Amounts reported for governmental activities in the statement of activities are different because:		
Adjustments - modified accrual to full accrual		-
Change in net assets of governmental activities	$	5,448

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, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance - July 1, 2009	$ 83,615	$ 83,615	$ 84,259	$ 644
Resources (inflows):				
Taxes	12,000	12,000	9,645	(2,355)
Use of money and property	2,225	2,225	1,809	(416)
Intergovernmental revenues	-	-	152	152
Charges for current services	338	338	338	-
Amounts available for appropriations	14,563	14,563	11,944	(2,619)
Charges to Appropriations (outflows):				
Public Ways and Facilities:				
Services and supplies	6,925	6,925	6,195	730
Contingencies	693	693	-	693
Total charges to appropriations	7,618	7,618	6,195	1,423
Budgetary Fund Balance - June 30, 2010	$ 90,560	$ 90,560	$ 90,008	$ (552)

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	$ 11,944
Differences - budget to GAAP	
Modified accrual basis accounting to budgetary basis of accounting	6
Total revenues as reported on the statement of revenues and expenditures and changes in fund balance	$ 11,950
Uses/outflows of resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 6,195
Differences - budget to GAAP	
Modified accrual basis accounting to budgetary basis of accounting	307
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	$ 6,502

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, 2010

ASSETS	
Current assets:	
Cash and cash equivalents	$ 96,907
Receivables:	
Accounts	47,608
Interest	440
Total current assets	144,955
Noncurrent assets:	
Capital assets:	
Structures and improvements	236,180
Less: accumulated depreciation	(99,147)
Total noncurrent assets	137,033
Total assets	281,988
LIABILITIES	
Current liabilities:	
Accounts payable	20,260
Due to primary government	33,093
Total liabilities	53,353
NET ASSETS	
Invested in capital assets	137,033
Unrestricted	91,602
Total net assets	$ 228,635

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, 2010

Operating revenues:	
Charges for services	$ 282,117
Other operating revenues	56,923
Total operating revenues	339,040
Operating expenses:	
Insurance	6,310
Professional services	174,180
Special departmental	9,186
General and administrative	10,420
Repairs and maintenance	76,561
Utilities	72,636
Depreciation	5,559
Total operating expenses	354,852
Operating income (loss)	(15,812)
Non-operating revenues (expenses):	
Investment earnings	1,529
Total non-operating revenues (expenses)	1,529
Change in net assets	(14,283)
Net assets - beginning	242,918
Net assets - ending	$ 228,635

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, 2010

Cash flows from operating activities:	
Cash received from users	$ 279,945
Cash paid to suppliers	(335,089)
Other operating receipts	56,923
Net cash provided by (used in) operating activities	1,779
Cash flows from investing activities:	
Interest on investments	1,689
Net cash provided by (used in) investing activities	1,689
Net increase (decrease) in cash and cash equivalents	3,468
Cash and cash equivalents - beginning	93,439
Cash and cash equivalents - ending	$ 96,907

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

Operating income (loss)	$ (15,812)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	5,559
Decrease (increase) in accounts receivable	(2,172)
Increase (decrease) in accounts payable	8,660
Increase (decrease) in due to primary government	5,544
Total adjustments	17,591
Net cash provided by (used in) operating activities	$ 1,779

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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.

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.

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. 44.

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. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. New Pronouncements (Continued)

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. The District has not determined its effect on the financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

E. Assets, Liabilities and Net Assets or Equity

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers 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.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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 write off any receivables during the period.

3. Accounts Payable and Due to Primary Government

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 and due to primary government balances of $20,505 and $33,422, respectively, as of June 30, 2010, are 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:

Buildings and Improvements	Useful Life
Sanitary sewer and treatment plant	40 Years
Water wells and distribution	45 Years

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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 form 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.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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. The District did not have any outstanding encumbrances at June 30, 2010.

NOTE 3 — CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2010, consist of the following:

Deposits with County of Fresno Treasurer	$ 187,152
Total cash and cash equivalents	$ 187,152

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	$ 187,152
Total cash and cash equivalents	$ 187,152

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, 2010.

NOTE 4 — CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010, was as follows:

	July 1, 2009 Balance	Additions	Retirements	June 30, 2010 Balance
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated:				
Structures and improvements	$ 236,180	$ -	$ -	$ 236,180
Total capital assets being depreciated	236,180	-	-	236,180
Less accumulated depreciation:				
Structures and improvements	(93,588)	(5,559)	-	(99,147)
Total accumulated depreciation	(93,588)	(5,559)	-	(99,147)
Business-Type Activities Capital Assets, Net	$ 142,592	$ (5,559)	$ -	$ 137,033

NOTE 4 — CAPITAL ASSETS (Continued)

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

Business-Type Activities:	
Water and sewer	$ 5,559

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 CONTIGENCIES

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

COUNTY SERVICE AREA NO. 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, 2010

COUNTY SERVICE AREA NO. 47
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
June 30, 2010

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PRICE PAIGE & COMPANY
ACCOUNTANCY CORPORATION

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 year ended June 30, 2010, 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 as of June 30, 2010, 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

Clovis, California
June 27, 2011

677 Scott Avenue, Clovis, California 93612
Telephone (559) 299-9540 • *Fax* (559) 299-2344 • *E-mail* ppc@ppcpas.com • www.ppcpas.com

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

STATEMENT OF NET ASSETS
June 30, 2010

ASSETS	
Current assets:	
Cash and cash equivalents	$ 741,262
Receivables:	
Accounts, net	99,109
Interest	3,402
Total current assets	843,773
Noncurrent assets:	
Restricted cash and investments	424,648
Deferred bond issuance costs	170,122
Capital assets:	
Depreciable:	
Structures and improvements	4,466,512
Less: accumulated depreciation	(1,318,878)
Total noncurrent assets	3,742,404
Total assets	$ 4,586,177
LIABILITIES	
Current liabilities:	
Accounts payable	$ 51,197
Due to primary government	50,248
Developer deposits	183,000
Interest payable	96,536
General obligation bond payable	135,000
Total current liabilities	515,981
Noncurrent liabilities:	
General obligation bond payable	4,200,000
Total noncurrent liabilities	4,200,000
Total liabilities	4,715,981
NET ASSETS	
Invested in capital assets, net of related debt	(1,187,366)
Restricted for debt service	424,648
Unrestricted	632,914
Total net assets	$ (129,804)

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, 2010

Operating revenues:		
Charges for services	$	498,154
Installation fees		681
Other operating revenues		447,681
Total operating revenues		946,516
Operating expenses:		
Water expense		21,482
Insurance		10,301
Maintenance - equipment		29,415
Maintenance - building and grounds		129,462
Office expense		1,049
Postage		3,171
Professional and specialized services		300,151
Specialized departmental expenses		28,805
Utilities		110,682
Amortization		9,906
Depreciation		114,278
Total operating expenses		758,702
Operating income (loss)		187,814
Non-operating revenues (expenses):		
Investment earnings		11,227
Interest expense		(290,643)
Total non-operating revenues (expenses)		(279,416)
Change in net assets		(91,602)
Net assets - beginning		(38,202)
Net assets - ending	$	(129,804)

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, 2010

Cash flows from operating activities:	
Cash received from users	$ 510,136
Payments to suppliers	(600,860)
Other operating receipts	549,542
Net cash provided by (used in) operating activities	458,818
Cash flows from capital and related financing activities:	
Principal paid on bonds	(125,000)
Interest paid on bonds	(293,113)
Net cash provided by (used in) capital and related financing activities	(418,113)
Cash flows from investing activities:	
Interest on investments	12,007
Net cash provided by (used in) investing activities	12,007
Net increase (decrease) in cash and cash equivalents	52,712
Cash and cash equivalents - beginning	1,113,198
Cash and cash equivalents - ending	$ 1,165,910

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

Operating income (loss)	$ 187,814
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Amortization	9,906
Depreciation expense	114,278
(Increase) decrease in accounts receivable	11,302
Increase (decrease) in accounts payable	12,792
Increase (decrease) in due to primary government	20,865
Increase (decrease) in developer deposits	101,861
Total adjustments	271,004
Net cash provided by (used in) operating activities	$ 458,818

Cash and cash equivalents	$ 741,262
Restricted cash and investments	424,648
Total cash and cash equivalents	$ 1,165,910

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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 governing body is that the cost and expenses of providing goods or services to its customers be financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. New Pronouncements (Continued)

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

D. 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 wrote off $21,123 during the period.

3. Accounts Payables and Due to Primary Government

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 and due to primary government balances of $51,197 and $50,248, respectively, as of June 30, 2010, are related to certain contract services and payments for utility fees.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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 use 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:

Property Type	Useful Life
Phase I Domestic Water/Wastewater Plants	40 Years
Phase II Wastewater Treatment Plant	35 Years

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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 November1 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 form 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.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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, 2010, consist of the following:

Deposits with County of Fresno Treasurer	$ 741,262
Held by bond trustee	424,648
Total cash and cash investments	$1,165,910

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements:

Statement of Net Assets:

Cash and cash equivalents	$ 741,262
Restricted cash and investments	424,648
Total cash and cash investments	$1,165,910

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. Certain provisions of these debt agreements address credit risk and concentration of credit risk as noted below.

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:

		Maturity Date
Held by bond trustee:		
Federal Treasury Obligation	$ 424,648	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:

> $424,648 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.

NOTE 3 — CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010
Capital assets being depreciated:				
Structure and improvements	$ 4,466,512	$ -	$ -	$ 4,466,512
Total capital assets being depreciated	4,466,512	-	-	4,466,512
Less accumulated depreciation:				
Structure and improvements	(1,204,600)	(114,278)	-	(1,318,878)
Total accumulated depreciation	(1,204,600)	(114,278)	-	(1,318,878)
Total capital assets being depreciated	3,261,912	(114,278)	-	3,147,634
Capital Assets, Net	$ 3,261,912	$ (114,278)	$ -	$ 3,147,634

NOTE 4 — LONG-TERM DEBT

The schedule of long-term liabilities for the year ended June 30, 2010, is as follows:

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010	Due Within One Year
Bonds	$ 4,460,000	$ -	$ (125,000)	$ 4,335,000	$ 135,000
Total	$ 4,460,000	$ -	$ (125,000)	$ 4,335,000	$ 135,000

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%	$ 4,335,000

NOTE 4 — LONG-TERM DEBT (Continued)

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

Fiscal Year Ended June 30,	Principal	Interest	Total Payment
2011	$ 135,000	$ 285,189	$ 420,189
2012	140,000	276,395	416,395
2013	150,000	266,995	416,995
2014	160,000	256,610	416,610
2015	170,000	245,555	415,555
2016-2020	1,035,000	1,034,983	2,069,983
2021-2025	1,435,000	624,608	2,059,608
2026-2027	1,110,000	114,905	1,224,905
Total	$ 4,335,000	$ 3,105,240	$ 7,440,240

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 CONTIGENCIES

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

COUNTY SERVICE AREA NO. 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, 2010

COUNTY SERVICE AREA NO. 49
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2010

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PRICE PAIGE & COMPANY
ACCOUNTANCY CORPORATION

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, 2010, 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, 2010, 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 Sates has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Clovis, California
June 27, 2011

677 Scott Avenue, Clovis, California 93612
Telephone (559) 299-9540 • *Fax* (559) 299-2344 • *E-mail* ppc@ppcpas.com • www.ppcpas.com

COUNTY SERVICE AREA NO. 49
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2010

ASSETS	
Current assets:	
Cash and cash equivalents	$ 125,224
Receivables:	
Interest	667
Total assets	125,891
LIABILITIES	
Current liabilites:	
Due to primary government	1,432
Developer deposits	73,046
Total liabilities	74,478
NET ASSETS	
Unrestricted	51,413
Total net assets	$ 51,413

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, 2010

Operating revenue:	
Other operating revenue	$ 27,082
Total operating revenue	27,082
Operating expenses:	
Insurance	304
Maintenance - equipment	3,876
Maintenance - building	939
Professional services	40,527
Office expense	145
Postage	6
Total operating expenses	45,797
Operating income (loss)	(18,715)
Non-operating revenues (expenses):	
Investment earnings	2,683
Total non-operating revenues (expenses)	2,683
Change in net assets	(16,032)
Net assets - beginning	67,445
Net assets - ending	$ 51,413

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, 2010

Cash flows from operating activities:		
Cash received from users	$	38,235
Cash paid to suppliers		(46,586)
Net cash provided by (used in) operating activities		(8,351)
Cash flows from investing activities:		
Interest on investments		2,761
Net cash provided by (used in) investing activities		2,761
Net increase in cash and cash equivalents		(5,590)
Cash and cash equivalents - beginning		130,814
Cash and cash equivalents - ending	$	125,224

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

Operating income (loss)	$	(18,715)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
(Increase) decrease in accounts receivable		11,153
Increase (decrease) in accounts payable		(25)
Increase (decrease) in due to primary government		(764)
Total adjustments		10,364
Net cash provided by (used in) operating activities	$	(8,351)

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

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. 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 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 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.

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. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District’s financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government’s derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District’s financial statements.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. New Pronouncements (Continued)

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

D. 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 Payable and Due to Primary Government

Certain costs are incurred by the District during the current reporting period but are not paid until after the beginning of the next fiscal year. These costs are reported as payables in the financial statements. The District's current due to primary government balance of $1,432 as of June 30, 2010, is related to certain contract services and payments for utility fees.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets (Continued)

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.

All jurisdictions within California derive their taxing authority form 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.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets (Continued)

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, 2010, consist of the following:

Deposits with County of Fresno Treasurer	$ 125,224
Total cash and cash equivalents	$ 125,224

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	$ 125,224
Total cash and cash equivalents	$ 125,224

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, 2010.

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 CONTIGENCIES

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

COUNTY SERVICE AREA NO. 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, 2010

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

June 30, 2010

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PRICE PAIGE & COMPANY
ACCOUNTANCY CORPORATION

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 and each major fund 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, 2010, 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, 2010, 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

Clovis, California
June 27, 2011

677 Scott Avenue, Clovis, California 93612
Telephone (559) 299-9540 • *Fax* (559) 299-2344 • *E-mail* ppc@ppcpas.com • www.ppcpas.com

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, 2010

	Governmental Fund	Adjustments	Statement of Activities
ASSETS			
Cash and cash equivalents	$ 57,752	$ -	$ 57,752
Interest receivable	308	-	308
Total assets	$ 58,060	-	58,060
LIABILITIES			
Liabilities:			
Accounts payable	$ 24,516	-	24,516
Due to primary government	664	-	664
Total liabilities	25,180	-	25,180
FUND BALANCE/NET ASSETS			
Fund balance:			
Unreserved	32,880	(32,880)	-
Total fund balance	32,880	(32,880)	-
Total liabilities and fund balance	$ 58,060		
Net assets:			
Unrestricted		32,880	32,880
Total net assets		$ 32,880	$ 32,880

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, 2010

	Governmental Fund	Adjustments	Statement of Activities
Expenditures/Expenses			
Current:			
Public ways and facilities:			
PeopleSoft financials charge	$ 1,904	$ -	$ 1,904
Maintenance	83,951	-	83,951
Professional services	6,553	-	6,553
Total expenditures/expenses	92,408	-	92,408
Revenues			
Program revenue:			
Charges for services	78,561	-	78,561
Total program revenue	78,561	-	78,561
Net program expense			(13,847)
General revenues:			
Other revenues	7,596	-	7,596
Investment earnings	829	-	829
Total general revenues	8,425	-	8,425
Excess (deficiency) of revenues over (under) expenditures	(5,422)	5,422	-
Change in net assets	-	(5,422)	(5,422)
Fund balance/net assets:			
Beginning of the year	38,302	-	38,302
End of the year	$ 32,880	$ -	$ 32,880

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, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Balance - July 1, 2009	$ 41,988	$ 41,988	$ 43,597	$ 1,609
Resources (inflows):				
Use of money and property	675	675	750	75
Charges for services	78,903	78,903	78,561	(342)
Other revenue	-	-	7,596	7,596
Amounts available from appropriations	79,578	79,578	86,907	7,329
Charges to Appropriations (outflows):				
Public ways and facilities:				
Services and supplies	84,941	84,941	75,633	9,308
Total charges to appropriations	84,941	84,941	75,633	9,308
Budgetary Balance - June 30, 2010	$ 36,625	$ 36,625	$ 54,871	$ 18,246

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

Sources/inflows of resources:	
Actual amounts (budgetary basis) "available from appropriations" from the budgetary comparison schedule not including fund balance	$ 86,907
Differences - budget to GAAP	
Budgetary basis to modified accrual basis adjustment	79
Total revenues as reported on the statement of revenues and expenditures and changes in fund balance	$ 86,986
Uses/outflows of resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 75,633
Differences - budget to GAAP	
Budgetary basis to modified accrual basis adjustment	16,775
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	$ 92,408

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

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 special 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.

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 s*pecial 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. The District has not determined its effect on the financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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. Accounts Payable and Due to Primary Government

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 and due to primary government balances of $24,516 and $664, respectively, as of June 30, 2010, are related to certain contract services and payments for utility fees.

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."

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Property Taxes

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

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

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

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

5. Use of Estimates

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

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, 2010.

NOTE 3 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2010, consist of the following:

Deposits with County of Fresno Treasurer	$ 57,752
Total cash and cash equivalents	$ 57,752

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	$ 57,752
Total cash and cash equivalents	$ 57,752

NOTE 3 – 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, 2010.

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. 51
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, 2010

COUNTY SERVICE AREA NO. 51
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2010

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PRICE
PAIGE&
COMPANY
ACCOUNTANCY CORPORATION

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. 51 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2010, 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. 51, as of June 30, 2010, 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. 51 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

Clovis, California
June 27, 2011

677 Scott Avenue, Clovis, California 93612
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COUNTY SERVICE AREA NO. 51
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2010

ASSETS	
Current assets:	
Cash and investments	$ 82,156
Receivables:	
Interest	232
Total current assets	82,388
Noncurrent assets:	
Capital assets:	
Non-depreciable:	
Construction in progress	899,408
Total noncurrent assets	899,408
Total assets	981,796
LIABILITIES	
Current liabilities:	
Due to primary government	223,456
Deposits	5,880
Total current liabilities	229,336
Noncurrent liabilities:	
Line of credit	725,788
Total noncurrent liabilities	725,788
Total liabilities	955,124
NET ASSETS	
Invested in capital assets, net of related debt	173,620
Unrestricted	(146,948)
Total net assets	$ 26,672

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

COUNTY SERVICE AREA NO. 51
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, 2010

Non-operating revenues (expenses):	
Investment earnings	$ 461
Total non-operating revenues (expenses)	461
Change in net assets	461
Net assets - beginning	26,211
Net assets - ending	$ 26,672

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

COUNTY SERVICE AREA NO. 51
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

Cash flows from capital and related financing activities:	
Proceeds from line of credit	$ 430,092
Cash paid for construction of water system	(377,734)
Net cash provided by (used in) capital and related financing activities	52,358
Cash flows from investing activities:	
Interest on investments	365
Net cash provided by (used in) investing activities	365
Net increase (decrease) in cash and cash equivalents	52,723
Cash and cash equivalents - beginning	29,433
Cash and cash equivalents - ending	$ 82,156
Noncash investing and financing activities:	
Financed construction of water system	$ 158,315

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

COUNTY SERVICE AREA NO. 51
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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. 51, 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 431 parcels for future residential customers.

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 June 12, 2007, under the provisions of Government Code Section 25210.1 et. seq., to provide water for domestic and fire protection to properties within its boundaries. 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.

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. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. New Pronouncements (Continued)

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

D. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers 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. Due to Primary Government

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 due to primary government of $223,456 as of June 30, 2010, is related to certain contract services.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets (Continued)

3. Capital Assets (Continued)

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

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

Equipment Type	Useful Life
Water System	25 Years

4. Net Assets

Net assets are reported in three categories as follows:

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

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

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

5. Property Taxes

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets (Continued)

5. Property Taxes (Continued)

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

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

6. Use of Estimates

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

NOTE 2 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2010, consist of the following:

Deposits with County of Fresno Treasurer	$ 82,156
Total cash and cash equivalents	$ 82,156

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	$ 82,156
Total cash and cash equivalents	$ 82,156

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, 2010.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010, was as follows:

	July 1, 2009 Balance	Additions	Retirements	June 30, 2010 Balance
Capital assets not being depreciated:				
Construction in progress	$ 363,359	$ 536,049	$ -	$ 899,408
Total capital assets not being depreciated	363,359	536,049	-	899,408
Capital assets, net	$ 363,359	$ 536,049	$ -	$ 899,408

NOTE 4 – LINE OF CREDIT

CSA No. 51 has a $981,300 line of credit from County of Fresno General Fund to help finance the preliminary steps for the planning and construction of a residential water supply system. Amounts borrowed under this agreement bear interest at the same rate as the rate earned on funds held in the County of Fresno Investment Pool, and compound quarterly. At June 30, 2010, the amount outstanding on this line was $725,788. The line will be repaid either through bond proceeds if bonds are issued or through special assessments if bonds are not issued.

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 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.

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, 2010

MAINTENANCE DISTRICT NO. 2
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
June 30, 2010

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PRICE PAIGE & COMPANY
ACCOUNTANCY CORPORATION

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 and each major fund of Maintenance District No. 2 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2010, 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, 2010, 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

Clovis, California
June 27, 2011

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, 2010

	Governmental Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash and cash equivalents	$ 19,931	$ -	$ 19,931
Interest receivable	104	-	104
Total Assets	$ 20,035	-	20,035
LIABILITIES			
Due to primary government	$ 79	-	79
Total liabilities	79	-	79
FUND BALANCE/NET ASSETS			
Fund balance:			
Unreserved	19,956	(19,956)	-
Total fund balance	19,956	(19,956)	-
Total liabilities and fund balance	$ 20,035		
Net assets:			
Unrestricted		19,956	19,956
Total net assets		$ 19,956	$ 19,956

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, 2010

	Governmental Fund	Adjustments	Statement of Activities
Expenditures/Expenses			
Public ways and facilities	$ 1,820	$ -	$ 1,820
Total expenditures/expenses	1,820	-	1,820
Revenues			
Program revenue:			
Charges for services	1,999	-	1,999
Total program revenue	1,999	-	1,999
Net program revenue			179
General revenue:			
Unrestricted investment earnings	407	-	407
Total general revenues	407	-	407
Excess (deficiency) of revenues over (under) expenditures	586	(586)	-
Change in net assets	-	586	586
Fund balance/net assets:			
Beginning of the year	19,370	-	19,370
End of the year	$ 19,956	$ -	$ 19,956

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, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance - July 1, 2009	$ 18,884	$ 18,884	$ 19,412	$ 528
Resources (inflows):				
Use of money and property	450	450	413	(37)
Charges for services	2,000	2,000	1,999	(1)
Amounts available for appropriations	2,450	2,450	2,412	(38)
Charges to Appropriations (outflows):				
Public ways and facilities:				
Services and supplies	8,601	8,601	1,815	6,786
Special departmental	2,066	2,066	-	2,066
Contingencies	1,067	1,067	-	1,067
Total charges to appropriations	11,734	11,734	1,815	9,919
Budgetary Fund Balance - June 30, 2010	$ 9,600	$ 9,600	$ 20,009	$ 10,409

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	$ 2,412
Differences - budget to GAAP	(6)
Total revenues as reported on the statement of revenues and expenditures, and changes in fund balance	$ 2,406
Uses/outflows of resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 1,815
Differences - budget to GAAP	5
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	$ 1,820

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.

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. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. New Pronouncements (Continued)

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. The District has not determined its effect on the financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

E. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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, 2010.

NOTE 3 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2010, consist of the following:

Deposits with County of Fresno Treasurer	$19,931
Total cash and cash equivalents	$19,931

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	$19,931
Total cash and cash equivalents	$19,931

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, 2010.

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, 2010

MAINTENANCE DISTRICT NO. 4
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2010

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PRICE PAIGE & COMPANY
ACCOUNTANCY CORPORATION

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 and each major fund of Maintenance District No. 4 (District), a component unit of County of Fresno, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the State Controller's Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maintenance District No. 4, as of June 30, 2010, 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

Clovis, California
June 27, 2011

677 Scott Avenue, Clovis, California 93612
Telephone (559) 299-9540 • *Fax* (559) 299-2344 • *E-mail* ppc@ppcpas.com • www.ppcpas.com

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, 2010

	Governmental Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash and cash equivalents	$ 5,541	$ -	$ 5,541
Interest receivable	28	-	28
Total assets	$ 5,569	-	5,569
LIABILITIES			
Due to primary government	$ 28	-	28
Total liabilities	28	-	28
FUND BALANCE/NET ASSETS			
Fund balance:			
Unreserved	5,541	(5,541)	-
Total fund balance	5,541	(5,541)	-
Total liabilities and fund balance	$ 5,569		
Net assets:			
Unrestricted		5,541	5,541
Total net assets		$ 5,541	$ 5,541

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, 2010

	Governmental Fund	Adjustments	Statement of Activities
Expenditures/Expenses			
Public ways and facilities	$ 1,238	$ -	$ 1,238
Total expenditures/expenses	1,238	-	1,238
Revenues			
Program revenue:			
Charges for services	1,560	-	1,560
Total program revenue	1,560	-	1,560
Net program revenue			322
General revenue:			
Unrestricted investment earnings	107	-	107
Total general revenues	107	-	107
Excess (deficiency) of revenues over (under) expenditures	429	(429)	-
Change in net assets	-	429	429
Fund balance/net assets:			
Beginning of the year	5,112	-	5,112
End of the year	$ 5,541	$ -	$ 5,541

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, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance - July 1, 2009	$ 4,699	$ 4,699	$ 5,133	$ 434
Resources (inflows):				
Use of money and property	100	100	107	7
Charges for current services	1,560	1,560	1,560	-
Amounts available for appropriations	1,660	1,660	1,667	7
Charges to Appropriations (outflows):				
Public ways and facilities:				
Professional services	2,659	2,659	1,178	1,481
Liability insurance	150	150	-	150
Special departmental	320	320	-	320
PeopleSoft financial charges	50	50	50	-
Contingencies	318	318	-	318
Total charges to appropriations	3,497	3,497	1,228	2,269
Budgetary Fund Balance - June 30, 2010	$ 2,862	$ 2,862	$ 5,572	$ 2,710

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

Sources/inflows of resources:	
Actual amounts (budgetary basis) "available from appropriations" from the budgetary comparison schedule	$ 1,667
Differences - budget to GAAP	-
Total revenues as reported on the statement of revenues and expenditures, and changes in fund balance	$ 1,667
Uses/outflows of resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 1,228
Differences - budget to GAAP	10
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	$ 1,238

MAINTENANCE DISTRICT NO. 4
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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.

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 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. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. New Pronouncements (Continued)

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. The District has not determined its effect on the financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

E. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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, 2010.

NOTE 3 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2010, consist of the following:

Deposits with County of Fresno Treasurer	$ 5,541
Total cash and cash equivalents	$ 5,541

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	$ 5,541
Total cash and cash equivalents	$ 5,541

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, 2010.

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, 2010

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

June 30, 2010

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PRICE
PAIGE&
COMPANY
ACCOUNTANCY CORPORATION

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 and each major fund of Maintenance District No. 5 (District), a component unit of the County of Fresno, as of and for the fiscal year ended June 30, 2010, 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, 2010, 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

Clovis, California
June 27, 2011

677 Scott Avenue, Clovis, California 93612
Telephone (559) 299-9540 • *Fax* (559) 299-2344 • *E-mail* ppc@ppcpas.com • www.ppcpas.com

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, 2010

	Governmental Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash and cash equivalents	$ 6,628	$ -	$ 6,628
Interest receivable	34	-	34
Total assets	$ 6,662	-	6,662
LIABILITIES			
Due to primary government	$ 32	-	32
Total liabilities	32	-	32
FUND BALANCE/NET ASSETS			
Fund balance:			
Unreserved	6,630	(6,630)	-
Total fund balance	6,630	(6,630)	-
Total liabilities and fund balance	$ 6,662		
Net assets:			
Unrestricted		6,630	6,630
Total net assets		$ 6,630	$ 6,630

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, 2010

	Governmental Fund	Adjustments	Statement of Activities
Expenditures/Expenses			
Public ways and facilities	$ 1,331	$ -	$ 1,331
Total expenditures/expenses	1,331	-	1,331
Revenues			
Program revenue:			
Charges for services	1,977	-	1,977
Total program revenue	1,977	-	1,977
Net program revenue			646
General revenue:			
Unrestricted investment earnings	126	-	126
Total general revenues	126	-	126
Excess (deficiency) of revenues over (under) expenditures	772	(772)	-
Change in net assets	-	772	772
Fund balance/net assets:			
Beginning of the year	5,858	-	5,858
End of the year	$ 6,630	$ -	$ 6,630

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, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance - July 1, 2009	$ 5,681	$ 5,681	$ 5,869	$ 188
Resources (inflows):				
Use of money and property	125	125	126	1
Charges for current services	1,978	1,978	1,977	(1)
Amounts available for appropriations	2,103	2,103	2,103	-
Charges to Appropriations (outflows):				
Public ways and facilities:				
Services and supplies	3,892	3,892	1,314	2,578
Contingencies	389	389	-	389
Total charges to appropriations	4,281	4,281	1,314	2,967
Budgetary Fund Balance - June 30, 2010	$ 3,503	$ 3,503	$ 6,658	$ 3,155

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	-
Total revenues as reported on the statement of revenues and expenditures, and changes in fund balance	$ 2,103
Uses/outflows of resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 1,314
Differences - budget to GAAP	17
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	$ 1,331

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

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 XIIID, 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.

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 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. The District has not determined its effect on the financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Assets or Equity

1. Cash and Cash Equivalents

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

2. Equity

Fund Balance

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

Net Assets

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

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

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

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

3. Property Taxes

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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.

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, 2010.

NOTE 3 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2010, consist of the following:

Deposits with County of Fresno Treasurer	$ 6,628
Total cash and cash equivalents	$ 6,628

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	$ 6,628
Total cash and equivalents	$ 6,628

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, 2010.

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, 2010

MAINTENANCE DISTRICT NO. 6
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2010

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PRICE PAIGE & COMPANY
ACCOUNTANCY CORPORATION

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 and each major fund of Maintenance District No. 6 (District), a component unit of the County of Fresno, as of and for the year ended June 30, 2010, 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, 2010, 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

Clovis, California
June 30, 2011

677 Scott Avenue, Clovis, California 93612
Telephone (559) 299-9540 • *Fax* (559) 299-2344 • *E-mail* ppc@ppcpas.com • www.ppcpas.com

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, 2010

	Governmental Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash and cash equivalents	$ 6,209	$ -	$ 6,209
Interest receivable	32	-	32
Total assets	$ 6,241	-	6,241
LIABILITIES			
Due to primary government	$ 24	-	24
Total liabilities	24	-	24
FUND BALANCE/NET ASSETS			
Fund balance:			
Unreserved	6,217	(6,217)	-
Total fund balance	6,217	(6,217)	-
Total liabilities and fund balance	$ 6,241		
Net assets:			
Unrestricted		6,217	6,217
Total net assets		$ 6,217	$ 6,217

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, 2010

	Governmental Fund	Adjustments	Statement of Activities
Expenditures/Expenses			
Public ways and facilities	$ 1,081	$ -	$ 1,081
Total expenditures/expenses	1,081	-	1,081
Revenues			
Program revenue:			
Charges for services	1,380	-	1,380
Total program revenue	1,380	-	1,380
Net program revenue			299
General revenue:			
Unrestricted investment earnings	122	-	122
Total general revenues	122	-	122
Excess (deficiency) of revenues over (under) expenditures	421	(421)	-
Change in net assets	-	421	421
Fund balance/net assets:			
Beginning of the year	5,796	-	5,796
End of the year	$ 6,217	$ -	$ 6,217

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, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance - July 1, 2009	$ 5,426	$ 5,426	$ 5,784	$ 358
Resources (inflows):				
Use of money and property	100	100	122	22
Charges for current services	1,381	1,381	1,380	(1)
Amounts available for appropriations	1,481	1,481	1,502	21
Charges to Appropriations (outflows):				
Public ways and facilities:				
Services and supplies	3,453	3,453	1,076	2,377
Contingencies	345	345	-	345
Total charges to appropriations	3,798	3,798	1,076	2,722
Budgetary Fund Balance - June 30, 2010	$ 3,109	$ 3,109	$ 6,210	$ 3,101

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

Sources/inflows of resources:	
Actual amounts (budgetary basis) "available from appropriations" from the budgetary comparison schedule	$ 1,502
Differences - budget to GAAP	-
Total revenues as reported on the statement of revenues and expenditures, and changes in fund balance	$ 1,502
Uses/outflows of resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 1,076
Differences - budget to GAAP	5
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	$ 1,081

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, 2010

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 XIIID, 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.

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.

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. 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. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. New Pronouncements (Continued)

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. The District has not determined its effect on the financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

E. 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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, 2010.

NOTE 3 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2010, consist of the following:

Deposits with County of Fresno Treasurer	$ 6,209
Total cash and cash equivalents	$ 6,209

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	$ 6,209
Total cash and cash equivalents	$ 6,209

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, 2010.

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. 7
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT

For the Year Ended
June 30, 2010

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

June 30, 2010

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PRICE PAIGE & COMPANY
ACCOUNTANCY CORPORATION

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 and each major fund of Maintenance District No. 7 (District), a component unit of the County of Fresno, as of and for the fiscal year ended June 30, 2010, 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. 7, as of June 30, 2010, 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. 7 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Price Paige & Company

Clovis, California
June 27, 2011

677 Scott Avenue, Clovis, California 93612
Telephone (559) 299-9540 • *Fax* (559) 299-2344 • *E-mail* ppc@ppcpas.com • www.ppcpas.com

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

STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
June 30, 2010

	Governmental Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash and cash equivalents	$ 22,614	$ -	$ 22,614
Interest receivable	98	-	98
Total assets	$ 22,712	-	22,712
LIABILITIES			
Due to primary government	$ -	$ -	$ -
Total liabilities	-	-	-
FUND BALANCE/NET ASSETS			
Fund balance:			
Unreserved	22,712	(22,712)	-
Total fund balance	22,712	(22,712)	-
Total liabilities and fund balance	$ 22,712		
Net assets:			
Unrestricted		22,712	22,712
Total net assets		$ 22,712	$ 22,712

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

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

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2010

	Governmental Fund	Adjustments	Statement of Activities
Expenditures/Expenses			
Public ways and facilities	$ -	$ -	$ -
Total expenditures/expenses	-	-	-
Revenues			
Program revenue:			
Charges for services	22,561	-	22,561
Total program revenue	22,561	-	22,561
Net program revenue			22,561
General revenue:			
Unrestricted investment earnings	151	-	151
Total general revenues	151	-	151
Excess (deficiency) of revenues over (under) expenditures	22,712	(22,712)	-
Change in net assets	-	22,712	22,712
Fund balance/net assets:			
Beginning of the year	-	-	-
End of the year	$ 22,712	$ -	$ 22,712

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

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

BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance - July 1, 2009	$ -	$ -	$ -	$ -
Resources (inflows):				
Use of money and property	10	10	52	42
Charges for current services	22,564	22,564	22,561	(3)
Amounts available for appropriations	22,574	22,574	22,613	39
Charges to Appropriations (outflows):				
Public ways and facilities:				
Services and supplies	10,952	10,952	-	10,952
Total charges to appropriations	10,952	10,952	-	10,952
Budgetary Fund Balance - June 30, 2010	$ 11,622	$ 11,622	$ 22,613	$ 10,991

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	$ 22,613
Differences - budget to GAAP	99
Total revenues as reported on the statement of revenues and expenditures, and changes in fund balance	$ 22,712
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. 7
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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. 7, 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 August 12, 2008, in accordance with Article XIIID, 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 Toyota Avenue and Citron Avenue near Golden State Avenue and Jefferson. 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.

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 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. 7.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. The District has not determined its effect on the financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Net Assets or Equity

1. Cash and Cash Equivalents

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

2. Equity

Fund Balance

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

Net Assets

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

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

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

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

3. Property Taxes

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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.

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, 2010.

NOTE 3 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2010, consist of the following:

Deposits with County of Fresno Treasurer	$ 22,614
Total cash and cash equivalents	$ 22,614

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	$ 22,614
Total cash and equivalents	$ 22,614

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, 2010.

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, 2010

VAN NESS BOULEVARD ESTATES LIGHTING DISTRICT
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2010

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PRICE PAIGE & COMPANY
ACCOUNTANCY CORPORATION

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 and each major fund 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, 2010, 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, 2010, 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

Clovis, California
June 27, 2011

677 Scott Avenue, Clovis, California 93612
Telephone (559) 299-9540 • *Fax* (559) 299-2344 • *E-mail* ppc@ppcpas.com • www.ppcpas.com

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, 2010

	Governmental Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash and cash equivalents	$ 19,146	$ -	$ 19,146
Interest receivable	99	-	99
Total assets	$ 19,245	-	19,245
LIABILITIES			
Accounts payable	$ 492	$ -	$ 492
Due to primary government	423	-	423
Total liabilities	915	-	915
FUND BALANCE/NET ASSETS			
Fund balance:			
Unreserved	18,330	(18,330)	-
Total fund balance	18,330	(18,330)	-
Total liabilities and fund balance	$ 19,245		
Net assets:			
Unrestricted		18,330	18,330
Total Net Assets		$ 18,330	$ 18,330

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, 2010

	Governmental Fund	Adjustments	Statement of Activities
Expenditures/Expenses			
Current:			
Public ways and facilities	$ 9,244	$ -	$ 9,244
Total expenditures/expenses	9,244	-	9,244
Revenues			
Program Revenue:			
Charges for services	9,049	-	9,049
Total program revenue	9,049	-	9,049
Net program revenue			(195)
General Revenues:			
Property taxes	3,755	-	3,755
Unrestricted investment earnings	334	-	334
Miscellaneous	56	-	56
Total general revenues	4,145	-	4,145
Excess (deficiency) of revenues over (under) expenditures	3,950	(3,950)	-
Change in net assets	-	3,950	3,950
Fund balance/net assets:			
Beginning of the year	14,380	-	14,380
End of the year	$ 18,330	$ -	$ 18,330

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, 2010

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
Budgetary Balance - July 1, 2009	$ 14,615	$ 14,615	$ 16,690	$ 2,075
Resources (inflows):				
Taxes	4,650	4,650	3,755	(895)
Use of money and property	250	250	314	64
Intergovernmental revenues	-	-	57	57
Charges for current services	9,082	9,082	9,049	(33)
Amounts available from appropriations	13,982	13,982	13,175	(807)
Charges to Appropriations (outflows):				
Public ways and facilities:				
Services and supplies	9,951	9,951	8,840	1,111
Contingencies	995	995	-	995
Total charges to appropriations	10,946	10,946	8,840	2,106
Budgetary Balance - June, 30 2010	$ 17,651	$ 17,651	$ 21,025	$ 3,374

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

Sources/inflows of resources:	
Actual amounts (budgetary basis) "available from appropriations" from the budgetary comparison schedule	$ 13,175
Differences - budget to GAAP	
Accruals and adjustments not included in the budgetary basis	19
Total revenues as reported on the statement of revenues and expenditures, and changes in fund balance	$ 13,194
Uses/outflows of resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 8,840
Differences - budget to GAAP	
Accruals and adjustments not included in the budgetary basis	404
Total expenditures as reported on the statement of revenues and expenditures and changes in fund balance	$ 9,244

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

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.

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 fund:

> 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. The District has not determined its effect on the financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. 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. Accounts Payable and Due to Primary Government

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 and due to primary government balances of $492 and $423, respectively, as of June 30, 2010, are related to certain contract services and payments for utility fees.

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."

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

4. Property Taxes

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

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

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

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

5. Use of Estimates

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

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, 2010.

NOTE 3 – CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2010, consist of the following:

Deposits with County of Fresno Treasurer	$ 19,146
Total cash and cash equivalents	$ 19,146

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	$ 19,146
Total cash and cash equivalents	$ 19,146

NOTE 3 – 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, 2010.

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, 2010

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

June 30, 2010

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PRICE PAIGE & COMPANY
ACCOUNTANCY CORPORATION

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, 2010, 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, 2010, 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

Clovis, California
June 27, 2011

677 Scott Avenue, Clovis, California 93612
Telephone (559) 299-9540 • *Fax* (559) 299-2344 • *E-mail* ppc@ppcpas.com • www.ppcpas.com

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

STATEMENT OF NET ASSETS
June 30, 2010

ASSETS	
Current assets:	
Cash and cash equivalents	$ 104
Receivables:	
Accounts	9,709
Interest	1
Total current assets	9,814
Noncurrent assets:	
Capital assets:	
Nondepreciable:	
Land	8,390
Depreciable:	
Buildings and improvements	198,184
Less: accumulated depreciation	(113,545)
Total non-current assets	93,029
Total assets	102,843
LIABILITIES	
Current liabilities:	
Accounts payable	427
Due to primary government	1,683
Total liabilities	2,110
NET ASSETS	
Invested in capital assets	93,029
Unrestricted	7,704
Total net assets	$ 100,733

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, 2010

Operating revenues:	
Charges for services	$ 45,349
Total operating revenues	45,349
Operating expenses:	
Liability insurance	37
Maintenance - equipment	952
Maintenance - building and grounds	1,604
Office expense	20
Postage	211
Professional services	28,245
Specialized departmental expenses	1,302
Utilities	3,542
Depreciation	6,531
Total operating expenses	42,444
Operating income (loss)	2,905
Non-operating revenues (expenses):	
Investment earnings	(111)
Property taxes	6,375
State homeowners' property tax relief	88
Total non-operating revenues (expenses)	6,352
Change in net assets	9,257
Total net assets, beginning	91,476
Total net assets, ending	$ 100,733

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, 2010

Cash flows from operating activities:		
Cash received from users	$	39,446
Cash paid to suppliers		(45,925)
Net cash provided by (used in) operating activities		(6,479)
Cash flows from non-capital financing activities:		
Property taxes receipts		6,462
Net cash provided by (used in) non-capital financing activities		6,462
Cash flows from investing activities:		
Interest on investments		(102)
Net cash provided by (used in) investing activities		(102)
Net increase (decrease) in cash and cash equivalents		(119)
Cash and cash equivalents - beginning		223
Cash and cash equivalents - ending	$	104

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

Operating income (loss)	$	2,905
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation		6,531
(Increase) decrease in accounts receivable		(5,903)
Increase (decrease) in accounts payable		(1,516)
Increase (decrease) in due to primary government		(8,496)
Total adjustments		(9,384)
Net cash provided by (used in) operating activities	$	(6,479)

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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 governing body is that the cost and expenses of providing goods or services to its customers be financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. New Pronouncements (Continued)

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

D. 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 wrote off $473 during the period.

3. Accounts Payable and Due to Primary Government

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 and due to primary government balances of $427 and $1,683, respectively, as of June 30, 2010, are related to certain contract services and payments for utility fees.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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:

Type	Useful Lives
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.”

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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.

NOTE 2 — CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2010, consist of the following:

Deposits with County of Fresno Treasurer	$ 104
Total cash and cash equivalents	$ 104

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	$ 104
Total cash and cash equivalents	$ 104

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, 2010.

NOTE 3 — CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010, was as follows:

	July 1, 2009 Balance	Additions	Retirements	06/30/10 Balance
Capital assets not being depreciated:				
Land	$ 8,390	$ -	$ -	$ 8,390
Total capital assets not being depreciated	8,390	-	-	8,390
Capital assets being depreciated:				
Buildings and improvements	198,184	-	-	198,184
Total capital assets being depreciated	198,184	-	-	198,184
Less accumulated depreciation:				
Buildings and improvements	(107,014)	(6,531)	-	(113,545)
Total accumulated depreciation	(107,014)	(6,531)	-	(113,545)
Capital Assets, Net	$ 99,560	$ (6,531)	$ -	$ 93,029

NOTE 4 — RISK MANAGEMENT

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

NOTE 5 — COMMITMENTS AND CONTIGENCIES

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

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, 2010

WATERWORKS DISTRICT NO. 38 AND MAINTENANCE DISTRICT NO. 1
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2010

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PRICE PAIGE & COMPANY
ACCOUNTANCY CORPORATION

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, 2010, 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, as of June 30, 2010, 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

Clovis, California
June 27, 2011

677 Scott Avenue, Clovis, California 93612
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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, 2010

	Waterworks District No. 38	Maintenance District No. 1	Total Business-Type Activities
ASSETS			
Current assets:			
Cash and cash equivalents	$ 33,176	$ 120,344	$ 153,520
Receivables:			
Accounts	14,779	-	14,779
Interest	147	601	748
Total current assets	48,102	120,945	169,047
Noncurrent assets:			
Depreciable:			
Building and improvements	503,001	-	503,001
Less: accumulated depreciation	(437,858)	-	(437,858)
Total noncurrent assets	65,143	-	65,143
Total assets	113,245	120,945	234,190
LIABILITIES			
Current liabilities:			
Accounts payable	3,202	993	4,195
Due to primary government	5,580	832	6,412
Total current liabilities	8,782	1,825	10,607
Total liabilities	8,782	1,825	10,607
NET ASSETS			
Invested in capital assets	65,143	-	65,143
Unrestricted	39,320	119,120	158,440
Total net assets	$ 104,463	$ 119,120	$ 223,583

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, 2010

	Waterworks District No. 38	Maintenance District No. 1	Total Business-Type Activities
Operating revenues:			
Charges for services	$ 76,878	$ -	$ 76,878
Other operating revenues	11,283	46,112	57,395
Total revenues	88,161	46,112	134,273
Operating expenses:			
Insurance	818	-	818
Maintenance	12,717	993	13,710
Office expense	186	1,158	1,344
Postage	426	-	426
Professional and specialized services	52,480	14,947	67,427
Membership and legal notices	6	-	6
Specialized departmental expenses	12,641	-	12,641
Utilities	12,801	-	12,801
Depreciation	7,032	-	7,032
Total operating expenses	99,107	17,098	116,205
Operating income (loss)	(10,946)	29,014	18,068
Non-operating revenues (expenses):			
Investment earnings	408	2,027	2,435
Property taxes	21,095	-	21,095
Homeowners property tax relief	337	-	337
Total non-operating revenues (expenses)	21,840	2,027	23,867
Change in net assets	10,894	31,041	41,935
Net assets - beginning	93,569	88,079	181,648
Net assets - ending	$ 104,463	$ 119,120	$ 223,583

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, 2010

	Waterworks District No. 38	Maintenance District No. 1	Total Business-Type Activities
Cash flows from operating activities:			
Cash received from users	$ 76,630	$ -	$ 76,630
Cash paid to suppliers	(94,484)	(16,184)	(110,668)
Other operating receipts (payments)	11,283	46,112	57,395
Net cash provided by (used in) operating activities	(6,571)	29,928	23,357
Cash flows from non-capital financing activities:			
Property taxes received	21,432	-	21,432
Net cash provided by (used in) non-capital financing activities	21,432	-	21,432
Cash flows from investing activities:			
Interest on investments	319	1,937	2,256
Net cash provided by (used in) investing activities	319	1,937	2,256
Net increase (decrease) in cash and cash equivalents	15,180	31,865	47,045
Cash and cash equivalents - beginning	17,996	88,479	106,475
Cash and cash equivalents - ending	$ 33,176	$ 120,344	$ 153,520

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

	Waterworks District No. 38	Maintenance District No. 1	Total Business-Type Activities
Operating income (loss)	$ (10,946)	$ 29,014	$ 18,068
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	7,032	-	7,032
(Increase) decrease in accounts receivable	(248)	-	(248)
Increase (decrease) in accounts payable	556	993	1,549
Increase (decrease) in due to primary government	(2,965)	(79)	(3,044)
Total adjustments	4,375	914	5,289
Net cash provided by (used in) operating activities	$ (6,571)	$ 29,928	$ 23,357

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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.

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.

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 governing body is that the cost and expenses of providing goods or services to its customers be financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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 the *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. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. New Pronouncements (Continued)

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

D. 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.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets (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 wrote off a total of $3,648 of allowance for uncollectible accounts during the period.

3. Accounts Payable and Due to Primary Government

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 and due to primary government balances of $4,195 and $6,412, respectively, as of June 30, 2010, are 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 Water Services	
Water treatment controls and valves	5-7 Years
Plant equipment	12 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	
Sewer improvements and disposal facilities	25 Years
Solid waste collection facilities	25-50 Years
Treatment facilities	25-50 Years

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets (Continued)

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.

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.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets (Continued)

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, 2010, consist of the following:

Deposits with County of Fresno Treasurer	$ 153,520
Total cash and cash equivalents	$ 153,520

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	$ 153,520
Total cash and cash equivalents	$ 153,520

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, 2010.

NOTE 3 — CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010, was as follows:

	July 1, 2009 Balance	Additions	Retirements	June 30, 2010 Balance
Capital assets being depreciated:				
Buildings and systems	$ 313,756	$ -	$ -	$ 313,756
Improvements other than buildings	189,245	-	-	189,245
Total capital assets being depreciated	503,001	-	-	503,001
Less accumulated depreciation:				
Buildings and systems	(282,105)	(3,233)	-	(285,338)
Improvements other than buildings	(148,721)	(3,799)	-	(152,520)
Total accumulated depreciation	(430,826)	(7,032)	-	(437,858)
Capital Assets, Net	$ 72,175	$ (7,032)	$ -	$ 65,143

NOTE 4 — RISK MANAGEMENT

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

NOTE 5 — COMMITMENTS AND CONTIGENCIES

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

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, 2010

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

June 30, 2010

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PRICE PAIGE & COMPANY
ACCOUNTANCY CORPORATION

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, 2010, 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, 2010, 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

Clovis, California
June 27, 2011

677 Scott Avenue, Clovis, California 93612
Telephone (559) 299-9540 • *Fax* (559) 299-2344 • *E-mail* ppc@ppcpas.com • www.ppcpas.com

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, 2010

	Waterworks District No. 40	Maintenance District No. 3	Total Business-Type Activities
ASSETS			
Current assets:			
Cash and cash equivalents	$ 60,681	$ 20,443	$ 81,124
Receivables:			
Accounts	11,319	-	11,319
Interest	297	113	410
Total current assets	72,297	20,556	92,853
Noncurrent assets:			
Capital assets:			
Depreciable:			
Buildings	158,547	-	158,547
Improvements other than buildings	41,643	-	41,643
Machinery and equipment	324,961	-	324,961
Less: accumulated depreciation	(363,258)	-	(363,258)
Total noncurrent assets	161,893	-	161,893
Total assets	234,190	20,556	254,746
LIABILITIES			
Current liabilities:			
Accounts payable	1,900	1,244	3,144
Due to primary government	9,217	510	9,727
Total liabilities	11,117	1,754	12,871
NET ASSETS			
Invested in capital assets	161,893	-	161,893
Unrestricted	61,180	18,802	79,982
Total net assets	$ 223,073	$ 18,802	$ 241,875

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, 2010

	Waterworks District No. 40	Maintenance District No. 3	Total Business-Type Activities
Operating revenues:			
Charges for services	$ 55,113	$ -	$ 55,113
Other operating revenues	1,418	13,788	15,206
Total revenues	56,531	13,788	70,319
Operating expenses:			
Insurance	1,005	-	1,005
Maintenance - equipment	1,655	-	1,655
Maintenance - buildings and grounds	9,172	9,182	18,354
Memberships	5	-	5
Office expense	175	1,463	1,638
Postage	588	-	588
Professional and specialized services	68,826	26,514	95,340
Special departmental expenses	9,314	-	9,314
Utilities	12,600	-	12,600
Depreciation	12,844	-	12,844
Total operating expenses	116,184	37,159	153,343
Operating income (loss)	(59,653)	(23,371)	(83,024)
Non-operating revenues (expenses):			
Investment earnings	1,136	759	1,895
Property taxes	41,965	-	41,965
Homeowners property tax relief	642	-	642
Total non-operating revenues (expenses)	43,743	759	44,502
Change in net assets	(15,910)	(22,612)	(38,522)
Net assets - beginning	238,983	41,414	280,397
Net assets - ending	$ 223,073	$ 18,802	$ 241,875

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, 2010

	Waterworks District No. 40	Maintenance District No. 3	Total Business-Type Activities
Cash flows from operating activities:			
Cash received from users	$ 52,829	$ -	$ 52,829
Cash paid to suppliers	(105,681)	(35,651)	(141,332)
Cash received from other operating revenues	1,418	13,788	15,206
Net cash provided by (used in) operating activities	(51,434)	(21,863)	(73,297)
Cash flows from non-capital financing activities:			
Property taxes received	42,606	-	42,606
Net cash provided by (used in) non-capital financing activities	42,606	-	42,606
Cash flows from investing activities:			
Interest on investments	1,203	874	2,077
Net cash provided by (used in) investing activities	1,203	874	2,077
Net increase (decrease) in cash and cash equivalents	(7,625)	(20,989)	(28,614)
Cash and cash equivalents - beginning	68,306	41,432	109,738
Cash and cash equivalents - ending	$ 60,681	$ 20,443	$ 81,124

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

	Waterworks District No. 40	Maintenance District No. 3	Total Business-Type Activities
Operating income (loss)	$ (59,653)	$ (23,371)	$ (83,024)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	12,844	-	12,844
(Increase) decrease in accounts receivable	(2,284)	-	(2,284)
Increase (decrease) in due to primary government	(859)	264	(595)
Increase (decrease) in accounts payable	(1,482)	1,244	(238)
Total adjustments	8,219	1,508	9,727
Net cash provided by (used in) operating activities	$ (51,434)	$ (21,863)	$ (73,297)

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

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.

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 governing body is that the cost and expenses of providing goods or services to its customers be financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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 the *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. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. New Pronouncements (Continued)

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

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In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

D. 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.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets (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 wrote off a total of $3,377 during the period.

3. Accounts Payable and Due to Primary Government

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 and due to primary government balances of $3,144 and $9,727, respectively, as of June 30, 2010, are 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

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets (Continued)

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.

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.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets (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 — CASH AND CASH EQUIVALENTS

Summary of Deposits

Cash and cash equivalents as of June 30, 2010, consist of the following:

Deposits with County of Fresno Treasurer	$ 81,124
Total cash and cash equivalents	$ 81,124

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	$ 81,214
Total cash and cash equivalents	$ 81,214

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, 2010.

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

NOTE 3 — CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010, was as follows:

	July 1, 2009 Balance	Additions	Retirements	June 30, 2010 Balance
Capital assets being depreciated:				
Buildings	$ 158,547	$ -	$ -	$ 158,547
Improvements other than buildings	41,643	-	-	41,643
Machinery and equipment	324,961	-	-	324,961
Total capital assets being depreciated	525,151	-	-	525,151
Less accumulated depreciation:				
Buildings	(130,592)	(3,422)	-	(134,014)
Improvements other than buildings	(26,126)	(1,182)	-	(27,308)
Machinery and equipment	(193,696)	(8,240)	-	(201,936)
Total accumulated depreciation	(350,414)	(12,844)	-	(363,258)
Capital Assets, Net	$ 174,737	$ (12,844)	$ -	$ 161,893

NOTE 4 — RISK MANAGEMENT

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

NOTE 5 — COMMITMENTS AND CONTIGENCIES

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

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, 2010

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

June 30, 2010

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PRICE
PAIGE&
COMPANY
ACCOUNTANCY CORPORATION

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, 2010, 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, 2010, 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

Clovis, California
June 27, 2011

677 Scott Avenue, Clovis, California 93612
Telephone (559) 299-9540 • *Fax* (559) 299-2344 • *E-mail* ppc@ppcpas.com • www.ppcpas.com

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

STATEMENT OF NET ASSETS
June 30, 2010

	Water	Sewer	Total Business-Type Activities
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,551,665	$ 673,335	$ 2,225,000
Restricted cash and investments	738,706	81,425	820,131
Receivables:			
Accounts	12,287	21,740	34,027
Interest	11,874	4,017	15,891
Total current assets	2,314,532	780,517	3,095,049
Noncurrent assets:			
Capital assets:			
Nondepreciable:			
Land	141,213	-	141,213
Depreciable:			
Buildings	94,987	150,754	245,741
Building improvements	4,895,174	3,929,386	8,824,560
Machinery and equipment	88,205	26,420	114,625
Less: accumulated depreciation	(3,220,951)	(2,041,897)	(5,262,848)
Total noncurrent assets	1,998,628	2,064,663	4,063,291
Total assets	4,313,160	2,845,180	7,158,340
LIABILITIES			
Current liabilities:			
Accounts payable	7,779	7,707	15,486
Due to primary government	30,396	21,551	51,947
Total current liabilities	38,175	29,258	67,433
NET ASSETS			
Invested in capital assets	1,998,628	2,064,663	4,063,291
Restricted:			
Capital projects	738,706	81,425	820,131
Unrestricted	1,537,651	669,834	2,207,485
Total net assets	$ 4,274,985	$ 2,815,922	$ 7,090,907

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, 2010

	Water	Sewer	Total Business-Type Activities
Operating revenues:			
Charges for services	$ 161,325	$ 111,605	$ 272,930
Other operating revenues	23,134	19,242	42,376
Total revenues	184,459	130,847	315,306
Operating expenses:			
Telephone	502	-	502
Liability insurance	6,918	5,111	12,029
Maintenance - equipment	35,366	41,455	76,821
Maintenance - building and grounds	40,396	24,893	65,289
Office expense	1,454	406	1,860
Postage	1,784	1,861	3,645
Professional services	349,813	213,628	563,441
Small tools and equipment	232	606	838
Special departmental expense	7,377	10,425	17,802
Utilities	39,434	7,651	47,085
Depreciation	107,220	96,299	203,519
General and administrative	13,768	3,417	17,185
Total operating expenses	604,264	405,752	1,010,016
Operating income (loss)	(419,805)	(274,905)	(694,710)
Non-operating revenues (expenses):			
Investment earnings	45,991	16,604	62,595
Property tax taxes	391,081	88,434	479,515
Homeowners property tax relief	5,669	1,283	6,952
Total non-operating revenues (expenses)	442,741	106,321	549,062
Change in net assets	22,936	(168,584)	(145,648)
Net assets - beginning	4,252,049	2,984,506	7,236,555
Net assets - ending	$ 4,274,985	$ 2,815,922	$ 7,090,907

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, 2010

	Water	Sewer	Total Business-Type Activities
Cash flows from operating activities:			
Cash received from users	$ 170,393	$ 109,072	$ 279,465
Cash paid to suppliers	(492,607)	(296,670)	(789,277)
Other operating receipts	23,134	19,242	42,376
Net cash provided by (used in) operating activities	(299,080)	(168,356)	(467,436)
Cash flows from non-capital financing activities:			
Property taxes received	396,750	89,717	486,467
Net cash provided by (used in) non-capital financing activities	396,750	89,717	486,467
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(16,417)	-	(16,417)
Net cash provided by (used in) capital and related financing activities	(16,417)	-	(16,417)
Cash flows from investing activities:			
Interest on investments	46,388	17,198	63,586
Net cash provided by (used in) investing activities	46,388	17,198	63,586
Net increase (decrease) in cash and cash equivalents	127,641	(61,441)	66,200
Cash and cash equivalents - beginning	2,162,730	816,201	2,978,931
Cash and cash equivalents - ending	$ 2,290,371	$ 754,760	$ 3,045,131
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	$ (419,805)	$ (274,905)	$ (694,710)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	107,220	96,299	203,519
(Increase) decrease in accounts receivable	2,042	(2,533)	(491)
(Increase) decrease in due from primary government	5,905	-	5,905
(Increase) decrease in deferred credit	1,122	-	1,122
Increase (decrease) in due to primary government	3,157	11,275	14,432
Increase (decrease) in accounts payable	1,279	1,508	2,787
Total adjustments	120,725	106,549	227,274
Net cash provided by (used in) operating activities	$ (299,080)	$ (168,356)	$ (467,436)
Cash and cash equivalents	$ 1,551,665	$ 673,335	$ 2,225,000
Restricted cash and cash equivalents	738,706	81,425	820,131
Total cash and cash equivalents	$ 2,290,371	$ 754,760	$ 3,045,131

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

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.

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. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. New Pronouncements (Continued)

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

D. Assets, Liabilities and Net Assets

1. Cash and Cash Equivalents

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

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

2. Accounts Payable and Due to Primary Government

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 and due to primary government balances of $15,486 and $51,947, respectively, as of June 30, 2010, are related to certain contract services and payments for utility fees.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D 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 the *water fund*:

Types	Useful Lives
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*:

	Useful Lives
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

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets (Continued)

4. Accounts Receivable

The "direct write-off" method for accounts receivable was applied for accounts that had been established as uncollectible. An 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 deeded immaterial to the financial statements as a whole. The District wrote off a total of $1,999 during the period.

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.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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, 2010, consist of the following:

Deposits with County of Fresno Treasurer	$ 3,045,131
Total cash and cash equivalents	$ 3,045,131

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Unrestricted cash and cash equivalents	$ 2,225,000
Restricted cash and cash equivalents	820,131
Total cash and cash equivalents	$ 3,045,131

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, 2010.

NOTE 3 — CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010, was as follows for the ***water*** fund:

	July 1, 2009 Balance	Additions	Retirements	June 30, 2010 Balance
Capital asset not being depreciated:				
Land	$ 141,213	$ -	$ -	$ 141,213
Total capital asset not being depreciated	141,213	-	-	141,213
Capital asset being depreciated:				
Buildings	94,987	-	-	94,987
Buildings improvement	4,878,757	16,417	-	4,895,174
Machinery and equipment	88,205	-	-	88,205
Total capital asset being depreciated	5,061,949	16,417	-	5,078,366
Less accumulated depreciation:				
Buildings	(47,052)	(2,571)	-	(49,623)
Buildings improvement	(3,018,344)	(98,455)	-	(3,116,799)
Machinery and equipment	(48,335)	(6,194)	-	(54,529)
Total accumulated depreciation	(3,113,731)	(107,220)	-	(3,220,951)
Capital Assets, Net	$ 2,089,431	$ (90,803)	$ -	$ 1,998,628

NOTE 3 — CAPITAL ASSETS (Continued)

Capital assets activity for the year ended June 30, 2010, was as follows for the ***sewer*** fund:

	July 1, 2009 Balance	Additions	Retirements	June 30, 2010 Balance
Capital asset being depreciated:				
Buildings	$ 150,754	$ -	$ -	$ 150,754
Buildings improvement	3,929,386	-	-	3,929,386
Machinery and equipment	26,420	-	-	26,420
Total capital asset being depreciated	4,106,560	-	-	4,106,560
Less accumulated depreciation:				
Buildings	(94,271)	(2,118)	-	(96,389)
Buildings improvement	(1,824,907)	(94,181)	-	(1,919,088)
Machinery and equipment	(26,420)	-	-	(26,420)
Total accumulated depreciation	(1,945,598)	(96,299)	-	(2,041,897)
Capital Assets, Net	$ 2,160,962	$ (96,299)	$ -	$ 2,064,663

NOTE 4 — EXCESS TAXES PAYABLE

The District's GANN appropriations limit has been exceeded for the past five fiscal years beginning with the fiscal year 2004/2005. According to Article XIIIB 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 XIIIB Section 9. The excess taxes per year are as follows:

2004/2005	$ 27,190
2005/2006	99,094
2006/2007	189,954
2007/2008	232,110
2008/2009	214,336
2009/2010	122,261
Total excess taxes	$ 884,945

As of June 30, 2010, excess tax totaled $884,945; 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 XIIIB Section 9 of the California Constitution.

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 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.

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, 2010

WATERWORKS DISTRICT NO. 42
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

June 30, 2010

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PRICE
PAIGE&
COMPANY
ACCOUNTANCY CORPORATION

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, 2010, 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 as of June 30, 2010, 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

Clovis, California
June 27, 2011

677 Scott Avenue, Clovis, California 93612
Telephone (559) 299-9540 • *Fax* (559) 299-2344 • *E-mail* ppc@ppcpas.com • www.ppcpas.com

WATERWORKS DISTRICT NO. 42
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)

STATEMENT OF NET ASSETS
June 30, 2010

ASSETS	
Current assets:	
Cash and cash equivalents	$ 455,709
Receivables:	
Accounts	1,758
Interest	2,401
Total current assets	459,868
Noncurrent assets:	
Capital assets:	
Depreciable:	
Machinery and equipment	240,778
Less: accumulated depreciation	(155,232)
Total noncurrent assets	85,546
Total assets	545,414
LIABILITIES	
Current liabilities:	
Accounts payable	3,829
Due to primary government	4,093
Total current liabilities	7,922
Total liabilities	7,922
NET ASSETS	
Invested in capital assets	85,546
Unrestricted	451,946
Total net assets	$ 537,492

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 REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2010

Operating revenues:	
Charges for services	$ 102,567
Other operating revenues	248
Total operating revenues	102,815
Operating expenses:	
Liability insurance	776
Maintenance - equipment	2,060
Maintenance - buildings and grounds	10,848
Office expense	2,416
Postage	602
Professional and specialized services	55,011
Specialized departmental expenses	758
Utilities	26,152
Depreciation	9,795
Total operating expenses	108,418
Operating income (loss)	(5,603)
Non-operating revenues:	
Investment earnings	9,433
Total non-operating revenues	9,433
Change in net assets	3,830
Net assets - beginning	533,662
Net assets - ending	$ 537,492

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, 2010

Cash flows from operating activities:	
Cash received from users	$ 102,669
Cash paid to suppliers	(98,899)
Other operating receipts	248
Net cash provided by (used in) operating activities	4,018
Cash flows from capital and related financing activities:	
Acquisition of capital assets	-
Net cash provided by (used in) capital and related financing activities	-
Cash flows from investing activities:	
Interest on investments	9,598
Net cash provided by (used in) investing activities	9,598
Net increase (decrease) in cash and cash equivalents	13,616
Cash and cash equivalents - beginning	442,093
Cash and cash equivalents - ending	$ 455,709

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

Operating income (loss)	$ (5,603)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	9,795
(Increase) decrease in accounts receivable	102
Increase (decrease) in accounts payable	105
Increase (decrease) in due to primary government	(381)
Total adjustments	9,621
Net cash provided by (used in) operating activities	$ 4,018

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2010

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 governing body is that the cost and expenses of providing goods or services to its customers be financed or recovered primarily through users charges; or where the governing body has decided that periodic determination of revenue earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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. New Pronouncements

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* This statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. This statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. This statement is effective for financial statements with reporting periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. New Pronouncements (Continued)

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This statement is effective for financial statements with reporting periods beginning after June 15, 2010. This statement did not have an impact on the District's financial statements.

In March 2009, GASB issued Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies.* This statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. This statement did not have an impact on the District's financial statements.

D. 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. 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 wrote off a total of $264 during the period.

3. Accounts Payable and Due to Primary Government

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 and due to primary government balances of $3,829 and $4,093, respectively, as of June 30, 2010, are related to certain contract services and payments for utility fees.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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:

Type	Useful Lives
Pumps, mains and hydrants	10-70 Years
Telemetry system	15 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.”

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.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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, 2010, consist of the following:

Deposits with County of Fresno Treasurer	$ 455,709
Total cash and cash equivalents	$ 455,709

Cash and cash equivalents as of June 30, 2010, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	$ 455,709
Total cash and cash equivalents	$ 455,709

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, 2010.

NOTE 3 — CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010, was as follows:

	July 1, 2009 Balance	Additions	Retirements	June 30, 2010 Balance
Capital assets being depreciated:				
Machinery and equipment	$ 240,778	$ -	$ -	$ 240,778
Total capital assets being depreciated	240,778	-	-	240,778
Less accumulated depreciation:				
Machinery and equipment	(145,437)	(9,795)	-	(155,232)
Total accumulated depreciation	(145,437)	(9,795)	-	(155,232)
Capital Assets, Net	$ 95,341	$ (9,795)	$ -	$ 85,546

NOTE 4 — RISK MANAGEMENT

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

NOTE 5 — COMMITMENTS AND CONTIGENCIES

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