

GENERAL INFORMATION PACKAGE

Section I. TYPE OF ASSISTANCE REQUESTED		LGTS (State Only)
<input checked="" type="checkbox"/> PLANNING <input type="checkbox"/> CONSTRUCTION		
Estimated Amount of Financial Assistance Requested: \$ 500,000		
Project Title: CSA 39AB Request for Additional Connections		
Section II. APPLICANT INFORMATION		
Water System Number: 1000471		
Data Universal Numbering System (DUNS) Number: 078613009		
Applicant (Entity) Name: County of Fresno		
Street Address: 2220 Tulare Street	City: Fresno	
State: CA	Zip+4 Code: 93721-2127	
Mailing Address: 2220 Tulare St, 6th Floor	City: Fresno	
State: CA	Zip+4 Code: 93721-2127	
Congressional District(s): 16		
State Senate District(s): 12		
State Assembly District(s): 31		
County: Fresno	Federal Tax Identification Number: 94-6000512	
<i>(MANDATORY)</i>		
Authorized Representative Name, Title: Steven E. White, Director - Dept of Public Works and Planning		
Phone Number: (559) 600-4500	Email Address: stwhite@fresnocountyca.gov	
<i>(MANDATORY)</i>		
Primary Contact Person Name: Amina Flores-Becker, Resources Division Manager		
Phone Number: (559) 600-4259	Email Address: afloresbecker@fresnocountyca.gov	
<i>(OPTIONAL)</i>		
Project Engineer and License Number:		
Phone Number: ()	Email Address:	
<i>(OPTIONAL)</i>		
Environmental Contact Person Name:		
Phone Number: ()	Email Address:	
<i>(MANDATORY)</i>		
Local Counsel Name: Peter Wall, Senior Deputy County Counsel		
Phone Number: (559) 600-3479	Email Address: pwall@fresnocountyca.gov	
<i>(OPTIONAL)</i>		
Davis-Bacon Contact Person Name: Jennifer Parks		
Phone Number: (559) 600-4546	Email Address: jparks@fresnocountyca.gov	

Section III. PROJECT INFORMATION AND PROPOSED SCHEDULES (All fields mandatory)	LGTS (State Only)										
<p>1. Project Description: (Enter a brief description of the problem and project)</p> <p>A number of private well households located in the vicinity of CSA39's service area are interested in connecting to the public water system. Nitrate levels in excess of the MCL have been found in the well water of the majority of interested households, and dropping groundwater levels have left private well owners unable to access groundwater. To hydraulically supply water to the additional homes, new mains are needed.</p> <p>The project area includes 20 residential connections and 1 institutional connection (a church), all interested parties experience water contamination issues and/or failing private wells. 4 of the 20 interested households and the institutional connection (a church) have had dry wells in the past and others have had to dig deeper to access groundwater. 14 of the 20 homes sampled exceed Nitrate MCL levels.</p>											
<p>2. Is this project related to a compliance order or a violation? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>If yes, Explain: N/A</p>											
<p>3. Attach a copy of the system's water supply permit, along with any active enforcement orders (label as Attachment G1)</p>											
<p>4. Current year estimated population served by the water system: 395</p>											
<ul style="list-style-type: none"> Current population of the area benefitting from the project: 66 											
<p>Briefly describe how the population was determined: - 395 was taken from the California Drinking Water Watch website under Water System Details - 66 was determined by the completed Median Household Income Surveys of the 20 interested households and 1 institutional connection (a church that has had a dry well in the past)</p>											
<p>5. Total Number of Service Connections: 141 (currently served)</p>											
<ul style="list-style-type: none"> Residential Service Connections: 140 (currently served) 											
<ul style="list-style-type: none"> Commercial/Industrial Service Connections: 											
<ul style="list-style-type: none"> Other Service Connections: 1 (school - currently served) 											
<p>Briefly describe how the number of service connections was determined: The information was taken from the California Drinking Water Watch website under Water System Details based on County records and field survey information.</p>											
<p>6. Estimated Application Schedule:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="text-align: center;">Estimated or Actual Date</th> </tr> </thead> <tbody> <tr> <td>a) General Information Package</td> <td style="text-align: center;"><u>September 2019</u></td> </tr> <tr> <td>b) Technical Package</td> <td style="text-align: center;"><u>September 2019</u></td> </tr> <tr> <td>c) Environmental Package</td> <td style="text-align: center;"><u>September 2019</u></td> </tr> <tr> <td>d) Financial Security Package</td> <td style="text-align: center;"><u>September 2019</u></td> </tr> </tbody> </table>		Estimated or Actual Date	a) General Information Package	<u>September 2019</u>	b) Technical Package	<u>September 2019</u>	c) Environmental Package	<u>September 2019</u>	d) Financial Security Package	<u>September 2019</u>	
	Estimated or Actual Date										
a) General Information Package	<u>September 2019</u>										
b) Technical Package	<u>September 2019</u>										
c) Environmental Package	<u>September 2019</u>										
d) Financial Security Package	<u>September 2019</u>										

7. Consultation with Other Agencies

Please list other Federal and State agencies that have been involved in this project (e.g. planning, CEQA/NEPA consultation, funding, etc.), their contact information if known, and estimated dates for resolution of any issues.

California Water Boards State Water Resources Control Board, Division of Drinking Water:
 Caitlin Juarez Caitlin.Juarez@Waterboards.ca.gov, Jose Robledo
 jose.robledo@waterboards.ca.gov 559-447-3396

8. Partnering Agencies

Please list all other agencies that have an interest in this project. Provide contact information if known.

1. Provost & Pritchard - Heather Bashian (consulting engineer) (559) 636-1166
2. City of Fresno - Michael Carbajal michael.carbajal@fresno.gov
3. Fresno County Department of Public Works and Planning - Daniel Vang, Sebastian Artal, Amina Flores Becker (559) 600-4259
4. Fresno County Board of Supervisors - Brian Pacheco and Marc Benjamin (559) 600-1000
 mbenjamin@fresnocountyca.gov
5. California Rural Legal Assistance, Inc. - Mariah C. Thompson (559) 441-8721 ext 320 mthompson@crla.org

Section IV. MANAGERIAL INFORMATION

(All fields mandatory)

**LGTS
State Only**

1. Classification of Water System

- Community
- Non-transient non-community
- Transient non-community
- Not currently classified as a public water system – Please explain:

2. Indicate the Ownership of the Water System (check all that apply):

- Please include the ownership documentation (See instructions for further information) (label as **Attachment G2**)

<u>Public Ownership</u>	<u>Private Ownership</u>
<input type="checkbox"/> Municipality <input checked="" type="checkbox"/> County Agency <input type="checkbox"/> Special District <input type="checkbox"/> State Agency <input type="checkbox"/> K-12 Public School <input type="checkbox"/> Other: _____	<input type="checkbox"/> Corporation <input type="checkbox"/> Limited Liability Company <input type="checkbox"/> Partnership <input type="checkbox"/> Sole Proprietorship <input type="checkbox"/> Non-profit organization <input type="checkbox"/> Other: _____

- If the water system is privately-owned, indicate the name and title of the individual with authority to engage the water system in a DWSRF financing agreement.

See Formation Documents Attachment G2

3. If the Water System is a Municipality, is the Water System a Charter City? Yes No

4. If the Water System is a Corporation, Limited Liability Company, or Partnership, complete the following:

A. California Secretary of State Entity Number: N/A

B. Status with California Secretary of State: Active Suspended
 Forfeited Dissolved

5. Is the Water System regulated by the California Public Utilities Commission (CPUC)? Yes No

If **yes**, the Water System must obtain CPUC approval. Attach a list and a description of all matter(s) relating to your Water System that are currently pending before the CPUC (label as **Attachment G3**).

N/A

6. List the names, titles and duties of key officers. If there are more than 3, attach an organization chart providing this information (label as **Attachment G4**).

Attachment G4

7. Is there any litigation pending relative to the operation of the water system or the proposed project?

Yes No

If **yes**, attach a description of the litigation and the potential costs (label as **Attachment G5**).

N/A

8. Is the Water System leasing land or major water system facilities? Yes No

If **yes**, describe the terms of the lease or attach a copy of the lease agreement (label as **Attachment G6**). (NOTE: If the lease is critical to the location or operation of the proposed project facilities, the term of the lease must be equal to or greater than the loan repayment period.)

N/A

9. Please include a general map of the service area/boundaries (label as Attachment G7):

10. [For Construction Projects Only] Does the Water System have a contract with a private firm or another agency for the operation of the facility to be financed? Yes No

If **yes**, provide the name of the firm or agency and term (in years) of the agreement and attach a copy of the agreement (label as **Attachment G8**)

N/A this is a Planning Project

CERTIFICATION AND SIGNATURE OF AUTHORIZED REPRESENTATIVE

To the best of my knowledge and belief, I certify that I am authorized to submit this application; the information provided in this application is true and correct; the documentation has been duly authorized by the governing body of the applicant; and the entity possesses the legal authority to apply for the financing and enter into a financing agreement with the State Water Resources Control Board and to finance and construct the proposed facilities.

Name of Authorized Representative: _____ Title: _____

Signature of Authorized Representative: _____ Date: _____

ATTACHMENT CHECKLIST

Check the box next to each item attached to your application.

- G1 – Water Supply Permit and Enforcement Orders
- G2 – Ownership Documentation (if applicable)
- G3 – CPUC Documentation (if applicable)
- G4 – Organization Chart
- G5 – Pending Litigation (if applicable)
- G6 – Lease Agreement (if applicable)
- G7 – Service Area Map
- G8 – Operating Agreement (if applicable)

FOR STATE USE ONLY

1. Project Manager:
2. DWSRF Project #:
3. Does the name on the water supply permit match the Secretary of State website (<http://kepler.sos.ca.gov/>) and demonstrate an active status? (Does not apply to publicly-owned water systems)
 YES NO N/A (if No, notify the District Office/LPA)
4. Confirm that the FFAST Pin Number is linked to LGTS? YES
5. Application documents uploaded into LGTS? YES
6. Spending forecast in LGTS - Spending forecast is set as: Manual Automatic
If manual, is it updated? YES N/A
7. Project Category: A B C D E F

NOTES/COMMENTS (Attach additional sheets as needed):

SECTION I

SECTION II

SECTION III

SECTION IV

Attach median household income determination and any related documents.

Comments:

Project Manager Signature

Date

Senior Engineer Signature

Date

Attachment G1

STATE OF CALIFORNIA
DEPARTMENT OF PUBLIC HEALTH

Certificate of Issuance
OF A
WATER SUPPLY PERMIT

TO
FCSA #39 A & B Water System

This is to certify that a water supply permit **03-23-12P-021** has been issued to FCSA #39 A & B Water System on **March 27, 2012**, to supply water for domestic purposes to the FCSA #39 A & B Water System. The permit was issued by the Department of Public Health, pursuant to the provisions of Division 104, Part 12, Chapter 4, Article 7, of the California Health and Safety Code. The permit is subject to the requirements of Title 22, California Code of Regulations, and to the conditions provided in the water supply permit.



A copy of the water supply permit is on file with the FCSA #39 A & B Water System or may be obtained by contacting the Fresno District Office of the Department of Public Health, Drinking Water Field Operations Branch, 265 W. Bullard Ave., Ste 101, Fresno, CA 93704.

Betsy Licht
Betsy S. Licht P.E., Fresno District Engineer

Attachment G2

1 Benefit "A" and "B" as shown on and described in Exhibits "A," "B," and
2 "C" which are attached hereto and incorporated herein; and

3 WHEREAS, said resolution of intention sets the 11th day of
4 June, 1991, at 2 p.m. in the meeting room of the Board of Supervisors of
5 the County of Fresno as the time and place for a public hearing to
6 consider formation of County Service Area No. 39 with Zones of Benefit
7 "A" and "B"; and

8 WHEREAS, notice of said hearing was duly published in a
9 newspaper of general circulation in the County of Fresno as required by
10 law; and

11 WHEREAS, at said hearing, no written protests were filed.

12 NOW, THEREFORE, BE IT RESOLVED as follows:

13 1. A County Service Area is approved and formed under the
14 terms of the County Service Area Law in the unincorporated area of the
15 County. The exterior boundaries of the County Service Area are shown on
16 the attached map described as Exhibit "A" and further described in
17 Exhibits "B" and "C" attached hereto and incorporated herein by reference.

18 2. The name of the proposed service area shall be "County
19 Service Area No. 39."

20 3. The extended service to be provided by County Service
21 Area No. 39 shall be limited to the maintenance and operation of a
22 community water distribution system connected to the City of Fresno's
23 municipal water system. Any authorization for additional services shall
24 be effective only upon the approval of the LAFCO and this Board.

25 4. Except where funds are otherwise available from service
26 charges collected pursuant to Section 25210.77(a) of the Government Code,

27 ///

28 ///

1 a charge sufficient to pay for such extended services will be levied upon
2 taxable property within such area.

3 5. The resolution of LAFCO approving the formation of the
4 County Service Area with extension of service made its approval
5 conditional upon the following:

6 a. The service authorized by formation shall be
7 administration, operation, and maintenance of a community water
8 distribution system connected to the City of Fresno's municipal water
9 system.

10 b. Formation shall not be completed until:

11 (1) Approval by the appropriate Federal and State
12 agencies of applications to fund that portion of the water system not
13 funded by improvement district or revenue bonds.

14 (2) Formation of Improvement Districts No. 261 and
15 No. 262; or approval of water revenue bonds for water system improvements.

16 THE FOREGOING was passed and adopted by the following vote of the
17 Board of Supervisors of the County of Fresno this 11th day of June, 1991,
18 to-wit:

19 AYES: Supervisors Vagim, Levy, Conrad, Koligian

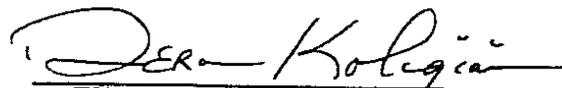
20 NOES: None

21 ABSENT: None

22 VACANT: 5th Supervisorial District

23

24

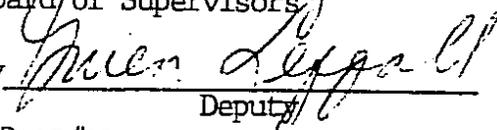

CHAIRMAN, Board of Supervisors

25

ATTEST:
SHARI GREENWOOD, Clerk
Board of Supervisors

26

27

By 
Deputy

28

SD:cn/bs

File #10248

Agenda #12

Resolution #91-356

EXHIBIT "B"

COUNTY SERVICE AREA NO. 39

ZONE A

(Beran Tract No. 1)

LEGAL DESCRIPTION

That portion of northeast quarter and southeast quarter of Section 25, Township 14 South, Range 19 East, Mount Diablo Base and Meridian, described as follows:

Beginning at the northwest corner of the southeast quarter of said Section 25; thence,

- (1) Southerly, along the west line of said southeast quarter, to the westerly extension of the south line of Lot 8 in the southeast quarter of Section 25 of Bank of California Tract, according to the map thereof, recorded November 14, 1883 in Book 2, page 14 of Plats, Fresno County Records; thence,
- (2) Easterly, along said extension and along said south line of said Lot 8 to the southeast corner of said Lot 8; thence,
- (3) Easterly, along the south line of Lot 1 in the southeast quarter of Section 25 of said tract, to the southeast corner of the west 5 feet of said Lot 1; thence,
- (4) Northerly, along the east line of said west 5 feet, 169 feet to the north line of the south 169 feet of said Lot 1; thence,
- (5) Easterly, along the north line of said south 169 feet, 15 feet to the east line of the west 20 feet of said Lot 1; thence,
- (6) Northerly, along said east line of the west 20 feet, to the north line of said southeast quarter of said Section 25; thence,
- (7) Easterly, along said north line of said southeast quarter, to the southeast corner of the northeast quarter of said Section 25, thence,
- (8) Northerly, along the east line of said Section 25, to the easterly extension of the north line of Lot 4 in the northeast quarter of said Section 25 of Bank of California Tract; thence,
- (9) Westerly, along said easterly extension and the north line of said Lot 4, to the northwest corner of said Lot 4 in the northeast quarter of said Section 25; thence,
- (10) Southerly, along the west line of said Lot 4 and the southerly extension thereof, to the south line of said northeast quarter of said Section 25; thence,
- (11) Westerly, along said south line, to the point of beginning.

Containing an area 42.456 acres, more or less.

2410e-44

1/8/91

EXHIBIT "C"

COUNTY SERVICE AREA NO. 39
ZONE B
(Beran Tract No. 2)

LEGAL DESCRIPTION

The west 890 feet of the southeast quarter of Section 13, Township 14 South, Range 19 East, Mount Diablo Base and Meridian, described as follows:

Beginning at the northwest corner of the southeast quarter of the said Section 13; thence,

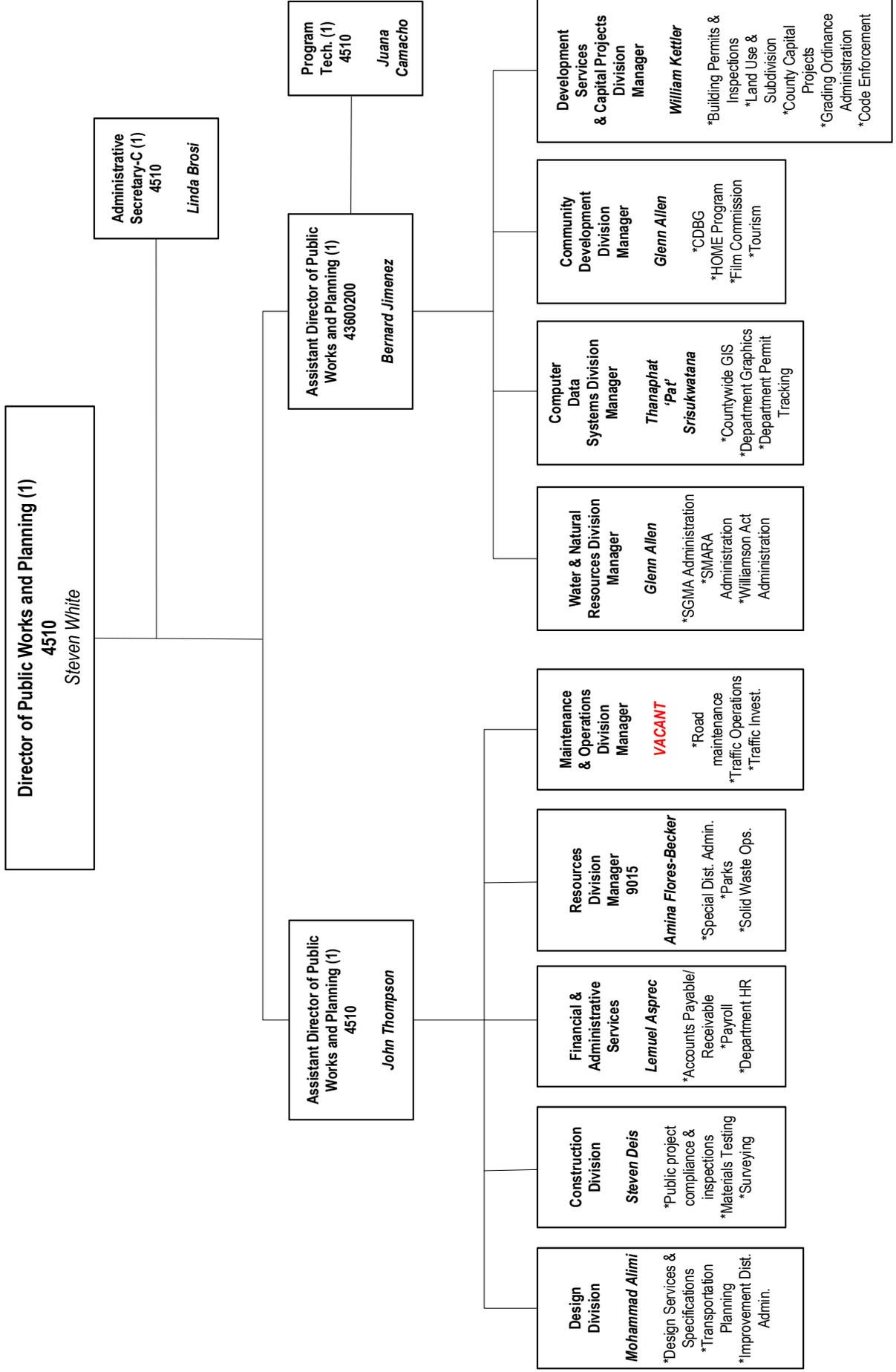
1. N 89° 34' E, along the north line of said southeast quarter of said section 13, to the northeast corner of said west 890 feet; thence,
2. South, along the east line of said west 890 feet, a distance of 2642 feet to the south line of said section 13; thence,
3. S 89° 32' W, along said south line, 890 feet to the southwest corner of said southeast quarter; thence,
4. North, along the west line of said southeast quarter, 2642.25 feet to the point of beginning.

Containing an area of 53.985 acres, more or less.

2410e-44
1/8/91

Attachment G4

COUNTY OF FRESNO DEPARTMENT OF PUBLIC WORKS AND PLANNING

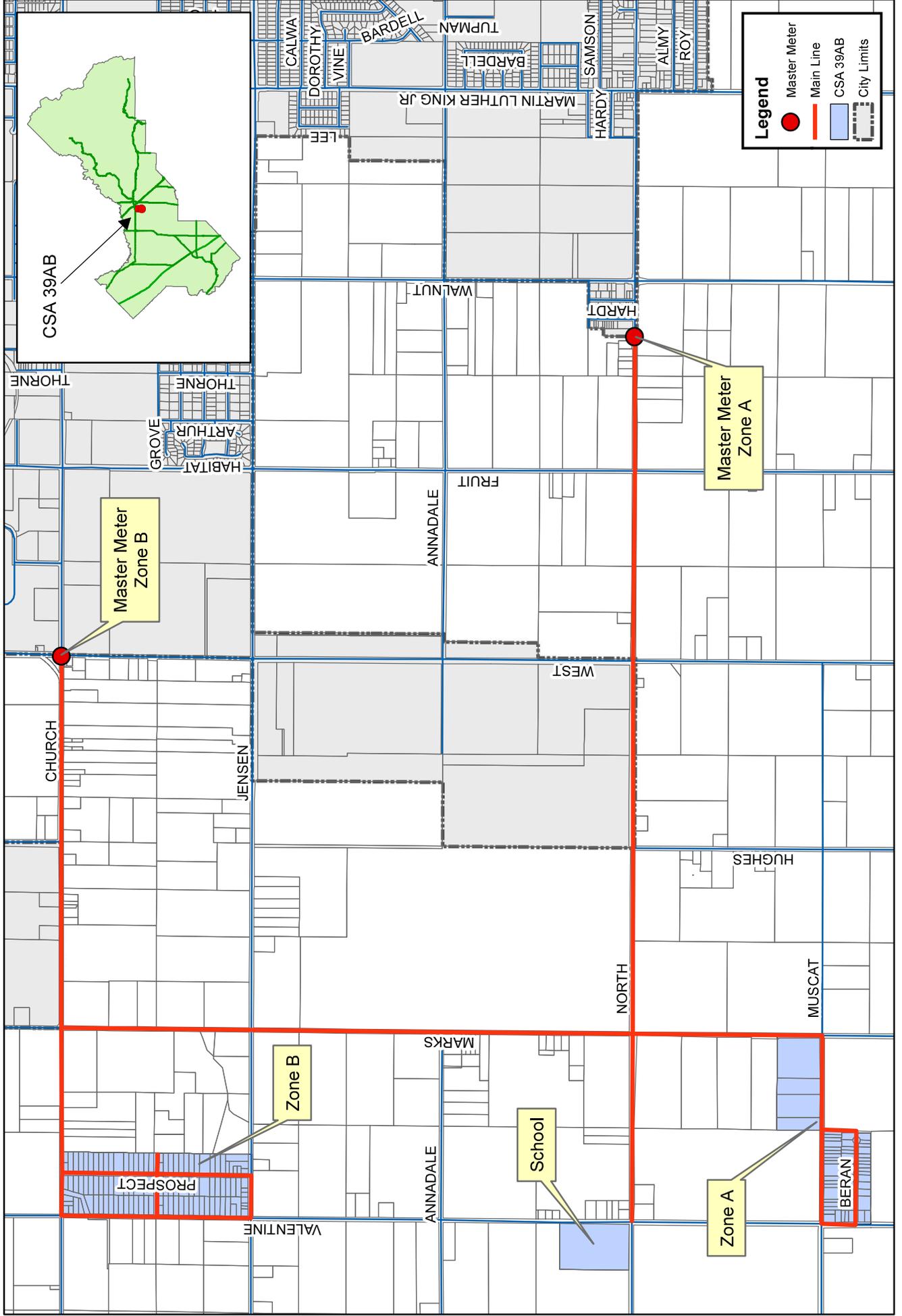


Attachment G7



County Service Area 39AB

Public Works and Planning



FINANCIAL SECURITY PACKAGE (PLANNING)

Applicant (Entity) Name: County of Fresno	
Project Title: CSA 39AB Request for Additional Connections	
Contact Person: Amina Flores-Becker	Phone: () 559-600-4259

1. Amount of Assistance Requested: \$ 500,000

2. Planning has a term of 5 years.

3. Other Project Funding Sources

Name and Type of Funding Sources	Amount	Applied	Approved	Received
No other funding identified.	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4. Current Year Median Household Income: \$ 28,000 per MHI Survey conducted in 2018

5a. Current Year Estimated Population Served: 395	5b. Check box if less than 50% of residences are permanently occupied <input type="checkbox"/>
--	---

6. Active Service Connections Not Applicable

Connection Type	Number of Connections	Current Monthly Service Charge	Average Monthly Billing (Last 12 months)
Residential	140	\$ 64.60	\$ 19,127.57
Commercial	1	\$ 64.60	\$ 211.81
Industrial		\$	\$
Other		\$	\$
TOTAL		\$	\$

Rate increase effective date for projected monthly service charges:

7. Projected Annual Operations and Maintenance Costs, Including amortized replacement costs (upon completion): \$ 129,429

8. Discussion of Material Events, Material Obligation Conditions, and Any Debt Limit
 Identify any current prior material events such as bankruptcy, defaults, litigation, grand jury findings, unscheduled draws on reserve funds, substitution of insurers or their failure to perform, unscheduled draws on credit enhancements, actions taken in anticipation of filing Chapter 9, rating changes, relevant conditions in material obligations, and any local debt limit.
 N/A

9. Water Rate Study

Has a water rate study been conducted for the water system? Yes No

If **yes**, please submit a complete copy of the Water Rate Study.

N/A

ATTACHMENTS (Check the box next to each item attached to your application.)

- F1 – AUDITED FINANCIAL STATEMENTS (3 years)**
- F5a – AUTHORIZING RESOLUTION/ORDINANCE (required for publicly owned entities)**
- F5b – CORPORATE RESOLUTION TO APPLY, BORROW AND TO GRANT SECURITY (required for corporations)**
- F6 – RATE ADOPTION RESOLUTION**
- F10 – NEW SPECIAL TAX, ASSESSMENT DISTRICT, OR SERVICE CHARGE PROJECTIONS (if applicable)**
- F11 – RELEVANT SERVICE, MANAGEMENT, CONSOLIDATION, OPERATING, OR JOINT POWERS AGREEMENTS (if applicable)**
- F12 – FUTURE CAPITAL NEEDS (if applicable)**

The following attachments are not required for Small DAC/SDAC applying for 100% grant or principal forgiveness funding. If a loan determination applies, applicant must submit all attachments.

- F2- BUDGETS OR PROJECTIONS (2 years)**
- F7 – PLEDGED REVENUES AND FUND(S) RESOLUTION**
- F8 – RELATED DEBT OR NO DEBT LETTER (see Application Information & Instructions)**
- F9 – DEBT MANAGEMENT POLICY**

State Use Only	
DWSRF Project #	
Project Manager	
Date Received	

Attachment F1

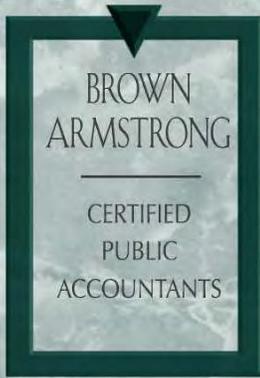
**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2016**

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BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of Fresno

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the County Service Area No. 39 (the CSA), a component unit of the County of Fresno, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the CSA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the CSA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CSA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

BAKERSFIELD OFFICE (MAIN OFFICE)

4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

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PASADENA OFFICE

260 S. LOS ROBLES AVENUE
SUITE 310
PASADENA, CA 91101
TEL 626.204.6542

STOCKTON OFFICE

5250 CLAREMONT AVENUE
SUITE 150
STOCKTON, CA 95207
TEL 209.451.4833

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the CSA, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the CSA, and do not purport to, and do not, present fairly the financial position of the County of Fresno, California, as of June 30, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2017, on our consideration of the CSA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CSA's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 31, 2017

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
STATEMENT OF NET POSITION
JUNE 30, 2016**

ASSETS

Current Assets	
Cash and investments	\$ 26,710
Receivables	
Accounts	21,979
Interest	<u>91</u>
Total Current Assets	48,780
Capital assets, net	<u>-</u>
Total Assets	<u>48,780</u>

LIABILITIES

Current Liabilities	
Accounts payable	8,763
Due to primary government	<u>3,296</u>
Total Liabilities	<u>12,059</u>

NET POSITION

Unrestricted	<u>36,721</u>
Total Net Position	<u><u>\$ 36,721</u></u>

The accompanying notes are an integral part of the financial statements.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

OPERATING REVENUES	
Charges for services	\$ 96,229
	<u>96,229</u>
Total Operating Revenues	<u>96,229</u>
OPERATING EXPENSES	
Insurance	1,092
Professional services	39,677
Specialized departmental expenses	898
General and administrative	4,610
Repairs and maintenance	4,633
Utilities	45,221
	<u>96,131</u>
Total Operating Expenses	<u>96,131</u>
Operating Income (Loss)	<u>98</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment earnings	680
	<u>680</u>
Total Non-operating Revenues (Expenses)	<u>680</u>
Change in Net Position	778
Net Position, Beginning of Year	<u>35,943</u>
Net Position, End of Year	<u>\$ 36,721</u>

The accompanying notes are an integral part of the financial statements.

**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, 2016**

Cash Flows from Operating Activities	
Cash received from users	\$ 96,535
Cash paid to suppliers	<u>(90,673)</u>
Net cash provided (used) by operating activities	<u>5,862</u>
Cash Flows from Investing Activities	
Interest on investments	<u>672</u>
Net cash provided (used) by investing activities	<u>672</u>
Net change in cash and investments	6,534
Cash and Investments, Beginning of Year	<u>20,176</u>
Cash and Investments, End of Year	<u><u>\$ 26,710</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	\$ 98
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in operating assets and liabilities:	
Receivables	306
Accounts payable	5,102
Due to primary government	<u>356</u>
Net cash provided (used) by operating activities	<u><u>\$ 5,862</u></u>

The accompanying notes are an integral part of the financial statements.

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements present only County Service Area No. 39 and are not intended to present fairly the financial position, changes in financial position, or cash flows of the County of Fresno, California in accordance with accounting principles generally accepted in the United States of America.

Reporting Entity: County Service Area No. 39, a special district (the District), is an enterprise fund of the County of Fresno (the County), which is a political subdivision of the State of California. The District 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. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. Under these criteria the District is considered a component unit of the County of Fresno and is reported in the County's Comprehensive Annual Financial Report (CAFR).

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 not subject to federal or state income taxes.

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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation:

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

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 Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

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

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (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 in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. 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.

Cash and Investments: The District maintains its cash account with the County of Fresno Auditor-Controller/Treasurer as part of the common investment pool. The County of Fresno is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

State statutes and the County of Fresno’s investment policy authorize the County Treasurer to invest in U.S. Government Treasury and Agency Securities, bankers’ acceptances, commercial paper, corporate bonds and notes, repurchase agreements, and the State Treasurer’s Local Agency Investment Fund (LAIF). In accordance with GASB Statement No. 31, “Accounting and Financial Reporting for Certain Investments and External Investment Pools,” investments held by the County Treasurer are stated at fair value. The fair value of pooled investments is determined quarterly and is based on current market prices received from the securities custodian. The balance available for withdrawal is based on the accounting records maintained by the County of Fresno Auditor-Controller/Treasurer.

Credit quality ratings are not available for the District’s investments as all cash is invested as part of the common investment pool of the County of Fresno Auditor-Controller/Treasurer. 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, 2016.

The District’s cash and investments for Statement of Cash Flows purposes are considered to be cash on hand, demand deposits, restricted cash, and investments held by the County of Fresno Auditor-Controller/Treasurer as part of the common investment pool.

Accounts Receivable: The “direct write-off” method for accounts receivable was applied for accounts that had been established as uncollectible. A deduction of revenue is recognized when an account is referred to the Revenue Reimbursement Division of the Auditor-Controller/Treasurer-Tax Collector and a Discharge of Accountability is received. The “direct write-off” method is not in compliance with generally accepted accounting principles. Any write-offs would be deemed immaterial to the financial statements as a whole. The District wrote off \$0 during the year ending June 30, 2016.

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets: Capital assets acquired are recorded at cost or estimated cost where cost is not available. Donated or contributed capital assets are recorded at estimated fair value on the date received. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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 capital assets, as applicable. Depreciation of capital assets is computed using the straight-line method applied over the estimated useful lives of the assets as follows:

Building and Improvements:	25 Years
----------------------------	----------

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 \$8,763 and \$3,296, respectively, as of June 30, 2016, are related to certain contract services and payments for utility fees.

Net Position: Net position represents the residual interest in the District's assets after liabilities are deducted. In accordance with GASB Statement No. 63, the fund equity section on the Statement of Net Position was combined to report total net position and present it in three broad components:

- *Net investment in capital assets* – Amount consists of capital assets, including infrastructure, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – Amount consists of net position restricted by external creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabled legislature.
- *Unrestricted* – Amount consists of all net position that does not meet the definition "net investment in capital assets" or "restricted" net position.

When both restricted and unrestricted net position are available, restricted resources are depleted first before unrestricted resources are used.

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 districts and special districts within the County. The Board levies property taxes on 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 31, and the second is generally due on February 1 and delinquent with penalties after April 30. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Constitution, 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 taxes receivable and receives the delinquent penalties and redemption interest accruing on delinquent collections related to participating agencies. The participating agencies, including school districts and special 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.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Governmental Accounting Standards Update: During the year ending June 30, 2016, the District implemented the following standards with no financial impact on the financial statements:

GASB Statement No. 72 – *Fair Value Measurement and Application*. The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2015.

GASB Statement No. 73 – *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The provisions of this statement are effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2015.

GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants*. The requirements of this statement are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23-26 and 40, which are effective for reporting periods beginning after December 15, 2015.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Accounting Standards Update (continued):

Released GASB Statements to be implemented in future financial statements are as follows:

GASB Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2016.

GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits other than Pension Plans*. The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2017.

GASB Statement No. 77 – *Tax Abatement Disclosures*. The requirements of this statement are effective for reporting periods beginning after December 15, 2015.

GASB Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Plans*. The requirements of this statement are effective for reporting periods beginning after December 15, 2015.

GASB Statement No. 80 – *Blending Requirements for Certain Component Units- an amendment of GASB Statement No. 14*. The requirements of this statement are effective for reporting periods beginning after June 15, 2016.

GASB Statement No. 81 – *Irrevocable Split-Interest Agreements*. The requirements of this statement are effective for reporting periods beginning after December 15, 2016.

GASB Statement No. 82 – *Pension Issues- an amendment of GASB Statements No. 67, No. 68, and No. 73*. The requirements of this statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

GASB Statement No. 83 – *Certain Asset Retirement Obligations*. The requirements of this statement are effective for reporting periods beginning after June 15, 2018, early adoption is encouraged.

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through January 31, 2017, which is the date the financial statements were available to be issued.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2016 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 26,710
Total cash and investments	\$ 26,710

Summary of Deposits:

Cash and investments as of June 30, 2016 consist of the following:

Deposits with County of Fresno Treasurer	\$ 26,710
Total cash and investments	\$ 26,710

See the County of Fresno Comprehensive Annual Financial Report for disclosures related to risks and fair value measurements.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 is as follows:

	Beginning Balance	Additions	Deletions/ Adjustments	Ending Balance
Capital assets being depreciated:				
Building and improvements	\$ 1,115,384	\$ -	\$ -	\$ 1,115,384
Total capital assets being depreciated:	1,115,384	-	-	1,115,384
Less accumulated depreciation:				
Building and improvements	(1,115,384)	-	-	(1,115,384)
Total accumulated depreciation:	(1,115,384)	-	-	(1,115,384)
Capital assets, net	\$ -	\$ -	\$ -	\$ -

Depreciation expense for the year ended June 30, 2016, was \$0.

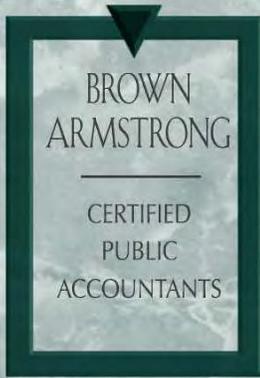
COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)

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 disasters. 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 the 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 effect on the financial position of the District.



BROWN ARMSTRONG

Certified Public Accountants

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

To the Board of Supervisors
County of Fresno

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STOCKTON, CA 95207
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We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the County Service Area No. 39 (the CSA), a component unit of the County of Fresno, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the CSA's basic financial statements, and have issued our report thereon dated January 31, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CSA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CSA's internal control. Accordingly, we do not express an opinion on the effectiveness of the CSA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the CSA's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies: 2016-001 and 2016-002.

Compliance and Other Matters

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

The CSA's Response to the Findings

The CSA's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The CSA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CSA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CSA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 31, 2017

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016**

Finding 2016-001 – Financial Reporting

Criteria:

The County should design and implement internal controls over the financial reporting process to ensure the following: 1) that the general ledger undergoes adequate procedures to ensure the proper application of fiscal year cut-off, 2) that the general ledger fiscal year period is closed and related financial statement supporting schedules are prepared in a timely manner allowing for a more efficient audit, and 3) that the final trial balance figures are subject to sufficient management review so that balances are presented in accordance with generally accepted accounting principles (GAAP).

Condition:

During our fieldwork, we noted that the County did not have sufficient year-end closing procedures in place which would have allowed the financial statements to be issued in a timely manner. We noted that the closing procedures currently in place did not include a sufficient review of the information before it was provided to the external auditors. Based upon our audit we noted there were several post-close adjustments missed by the County. Adjustments made by management considered to be material to the financial statement were related to beginning fund balance/net assets for prior period adjustments, accounts payable, accounts receivable, notes receivable, deferred revenue, capital assets, long term debt, and revenue and expenditure/expense accounts. Also, during our testing of year-end cutoff procedures and over financial statements account balances we proposed audit adjustments to properly state the year-end account balances of certain accounts in accordance with GAAP. All adjustments that were proposed during the current year audit were presented to management and subsequently posted to the financial statements.

Cause of Condition:

Internal controls have not been suitably designed and implemented over the financial reporting process to ensure that the timely closure of the general ledger and sufficient management supervision of this process results in reliable and materially correct ending account balances.

Effect of Condition:

Untimely closing and lack of account balances resulted in extended fieldwork for the audits of the CSAs and Districts. In addition material adjustments were proposed and posted to the financial statements of the affected CSAs and Districts for the year ended June 30, 2016.

Recommendation:

We recommend that the Department implement stronger policies and procedures to ensure that a comprehensive closing of the general ledger is performed in a timely manner, and that sufficient resources and adequate oversight are available to oversee the year-end closing procedures and preparation of the financial statement supporting schedules. We also recommend that the Department strengthen its year-end closing procedures to ensure that all transactions related to the fiscal year are properly captured and recorded in the general ledger to ensure the accuracy and completeness of the financial statements. Lastly, we recommend the Department invest in training and cross-training programs for those employees with financial reporting responsibilities.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
SCHEDULE OF FINDINGS AND RESPONSES (continued)
FOR THE YEAR ENDED JUNE 30, 2016**

Finding 2016-001 – Financial Reporting (continued)

Managements Response:

Management concurs with the finding and recommendation. Year-end procedures will be modified to ensure timely closing of general ledger. Checklists will be created to ensure all information needed to compile financial statements and prepare supporting schedules is available and complete. To the extent resources are available, the Department will provide training to employees with financial reporting responsibilities.

Finding 2016-002 – Depreciation Calculations

Criteria

In accordance with *Governmental Auditing Standards*, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations over financial reporting.

Condition

During our audit, we noted discrepancies when recalculating depreciation expense. Upon further research and inquiry with County personnel, it was apparent there were mistakes due to data entry errors among other things.

Cause of Condition

Lack of review procedures over data entry into the system of the County's Department of Public Works and Planning

Effect of Condition

Depreciation expense and accumulated depreciation could be misstated which would ultimately affect the presented amounts of depreciable capital assets.

Recommendation

We recommend the Department implement review procedures to ensure properly data entry of capital asset information into its system. We further recommend the Department go back through its current depreciation calculations and correct and update its system accordingly.

Management Response and Corrective Action Plan

Management concurs with the finding and recommendation. Prior to fiscal year end, staff will review depreciation reports along with depreciation entered in the PeopleSoft financial system to ensure depreciation calculations are accurate.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding 2015-001 – Financial Reporting

Criteria:

The County should design and implement internal controls over the financial reporting process to ensure the following: 1) that the general ledger undergoes adequate procedures to ensure the proper application of fiscal year cut-off, 2) that the general ledger fiscal year period is closed and related financial statement supporting schedules are prepared in a timely manner allowing for a more efficient audit, and 3) that the final trial balance figures are subject to sufficient management review so that balances are presented in accordance with generally accepted accounting principles (GAAP).

Condition:

During our fieldwork, we noted that the County did not have year-end closing procedures in place which would have allowed the financial statements to be issued in a timely manner. We noted that the closing procedures currently in place did not include a sufficient review of the information before it was provided to the external auditors. Based upon our audit we noted there were several post-close adjustments missed by the County. Adjustments made by management considered to be material to the financial statement were related to beginning fund balance/net assets for prior period adjustments, accounts payable, accounts receivable, notes receivable, deferred revenue, capital assets, long term debt, and revenue and expenditure/expense accounts. Also, during our testing of year-end cutoff procedures and over financial statements account balances we proposed audit adjustments to properly state the year-end account balances of certain accounts in accordance with GAAP. All adjustments that were proposed during the current year audit were presented to management and subsequently posted to the financial statements.

Cause of Condition:

Internal controls have not been suitably designed and implemented over the financial reporting process to ensure that the timely closure of the general ledger and sufficient management supervision of this process results in reliable and materially correct ending account balances in accordance with GAAP.

Effect of Condition:

Untimely closing and lack of account balances presented in accordance with GAAP resulted in final fieldwork for the audit of the CSA's being postponed. As a result, material adjustments were proposed and posted to the CSA's financial statements for the year ended June 30, 2015.

Recommendation:

We recommend that the County implement stronger policies and procedures to ensure that a comprehensive closing of the general ledger is performed in a timely manner and that sufficient resources and adequate oversight are available to oversee the CSA's year-end closing procedures and preparation of the financial statement supporting schedules. We also recommend that the CSA strengthen its year-end closing procedures to ensure that all transactions related to the fiscal year are properly captured and recorded in the general ledger to ensure the accuracy and completeness of the financial statements. Lastly, we recommend the CSA invest in training and cross-training programs for those employees with financial reporting responsibilities.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
STATUS OF PRIOR YEAR FINDINGS (continued)
FOR THE YEAR ENDED JUNE 30, 2016**

Finding 2015-001 – Financial Reporting (continued)

Managements Response:

Management concurs with finding and recommendation. The County’s Department of Public Works and Planning will review its year-end policies and procedures to ensure timely closing of the general ledger and to ensure all transactions are properly captured and recorded.

Current Year Status

Not implemented, see current year finding number 2016-001.

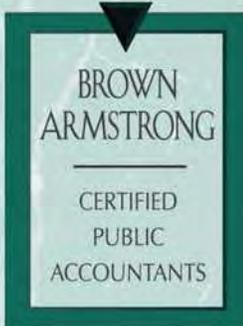
**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2017**

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BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of Fresno

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the County Service Area No. 39 (the CSA), a component unit of the County of Fresno, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the CSA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the CSA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CSA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the CSA, as of June 30, 2017, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the CSA, and do not purport to, and do not, present fairly the financial position of the County of Fresno, California, as of June 30, 2017, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2018, on our consideration of the CSA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CSA's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 31, 2018

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
STATEMENT OF NET POSITION
JUNE 30, 2017**

ASSETS

Current Assets	
Cash and investments	\$ 29,310
Receivables	
Accounts	19,500
Interest	<u>103</u>
Total Current Assets	48,913
Capital assets, net	<u>-</u>
Total Assets	<u>48,913</u>

LIABILITIES

Current Liabilities	
Accounts payable	12,025
Due to primary government	<u>2,913</u>
Total Liabilities	<u>14,938</u>

NET POSITION

Unrestricted	<u>33,975</u>
Total Net Position	<u>\$ 33,975</u>

See Independent Auditor's Report and the accompanying notes.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

OPERATING REVENUES	
Charges for services	<u>\$ 102,435</u>
Total Operating Revenues	<u>102,435</u>
OPERATING EXPENSES	
Insurance	990
Professional services	37,656
General and administrative	3,815
Repairs and maintenance	11,385
Utilities	<u>51,426</u>
Total Operating Expenses	<u>105,272</u>
Operating Income (Loss)	<u>(2,837)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment earnings	<u>91</u>
Total Non-operating Revenues (Expenses)	<u>91</u>
Change in Net Position	(2,746)
Net Position, Beginning of Year	<u>36,721</u>
Net Position, End of Year	<u>\$ 33,975</u>

See Independent Auditor's Report and the accompanying notes.

**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, 2017**

Cash Flows from Operating Activities	
Cash received from users	\$ 104,914
Cash paid to suppliers	<u>(102,393)</u>
Net cash provided (used) by operating activities	<u>2,521</u>
Cash Flows from Investing Activities	
Interest on investments	<u>79</u>
Net cash provided (used) by investing activities	<u>79</u>
Net change in cash and investments	2,600
Cash and Investments, Beginning of Year	<u>26,710</u>
Cash and Investments, End of Year	<u>\$ 29,310</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	\$ (2,837)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in operating assets and liabilities:	
Accounts receivable	2,479
Accounts payable	3,262
Due to primary government	<u>(383)</u>
Net cash provided (used) by operating activities	<u>\$ 2,521</u>

See Independent Auditor's Report and the accompanying notes.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements present only County Service Area No. 39 and are not intended to present fairly the financial position, changes in financial position, or cash flows of the County of Fresno, California in accordance with accounting principles generally accepted in the United States of America.

Reporting Entity: County Service Area No. 39, a special district (the District), is an enterprise fund of the County of Fresno (the County), which is a political subdivision of the State of California. The District 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. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. Under these criteria the District is considered a component unit of the County of Fresno and is reported in the County's Comprehensive Annual Financial Report (CAFR).

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 not subject to federal or state income taxes.

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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation:

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 Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

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

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (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 in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. 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.

Cash and Investments: The District maintains its cash account with the County of Fresno Auditor-Controller/Treasurer as part of the common investment pool. The County of Fresno is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

State statutes and the County of Fresno’s investment policy authorize the County Treasurer to invest in U.S. Government Treasury and Agency Securities, bankers’ acceptances, commercial paper, corporate bonds and notes, repurchase agreements, and the State Treasurer’s Local Agency Investment Fund (LAIF). In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held by the County Treasurer are stated at fair value. The fair value of pooled investments is determined quarterly and is based on current market prices received from the securities custodian. The balance available for withdrawal is based on the accounting records maintained by the County of Fresno Auditor-Controller/Treasurer.

Credit quality ratings are not available for the District’s investments as all cash is invested as part of the common investment pool of the County of Fresno Auditor-Controller/Treasurer. 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, 2017.

The District’s cash and investments for Statement of Cash Flows purposes are considered to be cash on hand, demand deposits, restricted cash, and investments held by the County of Fresno Auditor-Controller/Treasurer as part of the common investment pool.

Accounts Receivable: The “direct write-off” method for accounts receivable was applied for accounts that had been established as uncollectible. A deduction of revenue is recognized when an account is referred to the Revenue Reimbursement Division of the Auditor-Controller/Treasurer-Tax Collector and a Discharge of Accountability is received. The “direct write-off” method is not in compliance with generally accepted accounting principles. Any write-offs would be deemed immaterial to the financial statements as a whole. The District wrote off \$0 during the year ending June 30, 2017.

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets: Capital assets acquired are recorded at cost or estimated cost where cost is not available. Donated or contributed capital assets are recorded at estimated fair value on the date received. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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 capital assets, as applicable. Depreciation of capital assets is computed using the straight-line method applied over the estimated useful lives of the assets as follows:

Building and improvements:	25 Years
----------------------------	----------

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 \$12,025 and \$2,913, respectively, as of June 30, 2017, are related to certain contract services and payments for utility fees.

Net Position: Net position represents the residual interest in the District's assets after liabilities are deducted. In accordance with GASB Statement No. 63, the fund equity section on the Statement of Net Position was combined to report total net position and present it in three broad components:

- *Net investment in capital assets* – Amount consists of capital assets, including infrastructure, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – Amount consists of net position restricted by external creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabled legislature.
- *Unrestricted* – Amount consists of all net position that does not meet the definition "net investment in capital assets" or "restricted" net position.

When both restricted and unrestricted net position are available, restricted resources are depleted first before unrestricted resources are used.

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

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Constitution, 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 taxes receivable and receives the delinquent penalties and redemption interest accruing on delinquent collections related to participating agencies. The participating agencies, including school districts and special 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.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Governmental Accounting Standards Update: During the year ending June 30, 2017, the District implemented the following standards with no financial impact on the financial statements:

GASB Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2016.

GASB Statement No. 77 – *Tax Abatement Disclosures*. The requirements of this statement are effective for reporting periods beginning after December 15, 2015.

GASB Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Plans*. The requirements of this statement are effective for reporting periods beginning after December 15, 2015.

GASB Statement No. 80 – *Blending Requirements for Certain Component Units- an amendment of GASB Statement No. 14*. The requirements of this statement are effective for reporting periods beginning after June 15, 2016.

GASB Statement No. 81 – *Irrevocable Split-Interest Agreements*. The requirements of this statement are effective for reporting periods beginning after December 15, 2016.

Released GASB Statements to be implemented in future financial statements are as follows:

GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits other than Pension Plans*. The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2017.

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Accounting Standards Update (continued):

GASB Statement No. 82 – *Pension Issues- an amendment of GASB Statements No. 67, No. 68, and No. 73.* The requirements of this statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

GASB Statement No. 83 – *Certain Asset Retirement Obligations.* The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 84 – *Fiduciary Activities.* The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 85 – *Omnibus 2017.* The provisions of this statement are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 86 – *Certain Debt Extinguishment Issues.* The requirements of this statement are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 87 – *Leases.* The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through January 31, 2018, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2017 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	<u>\$ 29,310</u>
Total cash and investments	<u><u>\$ 29,310</u></u>

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 2 – CASH AND INVESTMENTS (continued)

Summary of Deposits:

Cash and investments as of June 30, 2017 consist of the following:

Deposits with County of Fresno Treasurer	\$ 29,310
Total cash and investments	\$ 29,310

See the County of Fresno Comprehensive Annual Financial Report for disclosures related to risks and fair value measurements.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017 is as follows:

	Beginning Balance	Additions	Deletions/ Adjustments	Ending Balance
Capital assets being depreciated:				
Building and improvements	\$ 1,115,384	\$ -	\$ -	\$ 1,115,384
Total capital assets being depreciated:	1,115,384	-	-	1,115,384
Less accumulated depreciation:				
Building and improvements	(1,115,384)	-	-	(1,115,384)
Total accumulated depreciation:	(1,115,384)	-	-	(1,115,384)
Capital assets, net	\$ -	\$ -	\$ -	\$ -

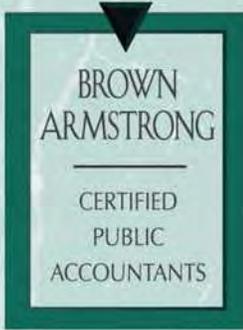
Depreciation expense for the year ended June 30, 2017, was \$0.

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 disasters. 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 the 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 effect on the financial position of the District.



BROWN ARMSTRONG

Certified Public Accountants

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

To the Board of Supervisors
County of Fresno

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We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the County Service Area No. 39 (the CSA), a component unit of the County of Fresno, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the CSA's basic financial statements, and have issued our report thereon dated January 31, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CSA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CSA's internal control. Accordingly, we do not express an opinion on the effectiveness of the CSA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the CSA's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency: 2017-001.

Compliance and Other Matters

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

The CSA's Response to the Finding

The CSA's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The CSA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CSA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CSA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style and is positioned below the printed name of the firm.

Bakersfield, California
January 31, 2018

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017**

Finding 2017-001 – Financial Reporting

Criteria:

The County's Department of Public Works and Planning (the Department) should design and implement internal controls over the financial reporting process to ensure the following: 1) that the general ledger undergoes adequate procedures to ensure the proper application of fiscal year cut-off, 2) that the general ledger fiscal year period is closed and related financial statement supporting schedules are prepared in a timely manner allowing for a more efficient audit, and 3) that the final trial balance figures are subject to sufficient management review so that balances are presented in accordance with generally accepted accounting principles (GAAP).

Condition:

During our fieldwork, we noted the Department did not have adequate year-end closing procedures. The closing procedures currently in place did not include sufficient review of accrual items before information was provided to the external auditors. The results of our testing indicated several material post-closing adjustments missed by the Department for 14 out of 34 audited locations (CSAs, Special Districts, and Disposal Sites), of which we proposed audit adjustments to properly state the year-end account balances in accordance with GAAP. All adjustments that were proposed during the current year audit were presented to management and subsequently posted to the financial statements.

Cause of Condition:

Internal controls have not been suitably designed and implemented over the financial reporting process to ensure that the timely closure of the general ledger and sufficient management supervision of this process results in reliable and materially correct ending account balances.

Effect of Condition:

Untimely closing and lack of procedures resulted in extended fieldwork for the audits of the CSAs and Districts. In addition, material adjustments were proposed and posted to the financial statements of the affected CSAs and Districts for the year ended June 30, 2017.

Recommendation:

We recommend that the Department implement stronger policies and procedures to ensure that a comprehensive closing of the general ledger is performed in a timely manner, and that sufficient resources and adequate oversight are available to oversee the year-end closing procedures and preparation of the financial statement supporting schedules. We also recommend that the Department strengthen its year-end closing procedures to ensure that all transactions related to the fiscal year are properly captured and recorded in the general ledger to ensure the accuracy and completeness of the financial statements. Lastly, we recommend the Department invest in training and cross-training programs for those employees with financial reporting responsibilities.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
SCHEDULE OF FINDINGS AND RESPONSES (continued)
FOR THE YEAR ENDED JUNE 30, 2017**

Finding 2017-001 – Financial Reporting (continued)

Managements Response:

Management concurs with the finding and recommendation. Year-end procedures will be modified to ensure timely closing of general ledger and should be in line with the Auditor-Controller/Treasurer-Tax Collector. Furthermore, Management will closely review all supporting schedules to ensure they are recorded properly on the Financial Statements before providing them to the external auditor. If resources are available, the Department will provide training to employees with financial reporting responsibilities.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

Finding 2016-001 – Financial Reporting

Criteria:

The County should design and implement internal controls over the financial reporting process to ensure the following: 1) that the general ledger undergoes adequate procedures to ensure the proper application of fiscal year cut-off, 2) that the general ledger fiscal year period is closed and related financial statement supporting schedules are prepared in a timely manner allowing for a more efficient audit, and 3) that the final trial balance figures are subject to sufficient management review so that balances are presented in accordance with generally accepted accounting principles (GAAP).

Condition:

During our fieldwork, we noted that the County did not have sufficient year-end closing procedures in place which would have allowed the financial statements to be issued in a timely manner. We noted that the closing procedures currently in place did not include a sufficient review of the information before it was provided to the external auditors. Based upon our audit we noted there were several post-close adjustments missed by the County. Adjustments made by management considered to be material to the financial statement were related to beginning fund balance/net assets for prior period adjustments, accounts payable, accounts receivable, notes receivable, deferred revenue, capital assets, long term debt, and revenue and expenditure/expense accounts. Also, during our testing of year-end cutoff procedures and over financial statements account balances we proposed audit adjustments to properly state the year-end account balances of certain accounts in accordance with GAAP. All adjustments that were proposed during the current year audit were presented to management and subsequently posted to the financial statements.

Cause of Condition:

Internal controls have not been suitably designed and implemented over the financial reporting process to ensure that the timely closure of the general ledger and sufficient management supervision of this process results in reliable and materially correct ending account balances.

Effect of Condition:

Untimely closing and lack of account balances resulted in extended fieldwork for the audits of the CSAs and Districts. In addition, material adjustments were proposed and posted to the financial statements of the affected CSAs and Districts for the year ended June 30, 2016.

Recommendation:

We recommend that the Department implement stronger policies and procedures to ensure that a comprehensive closing of the general ledger is performed in a timely manner, and that sufficient resources and adequate oversight are available to oversee the year-end closing procedures and preparation of the financial statement supporting schedules. We also recommend that the Department strengthen its year-end closing procedures to ensure that all transactions related to the fiscal year are properly captured and recorded in the general ledger to ensure the accuracy and completeness of the financial statements. Lastly, we recommend the Department invest in training and cross-training programs for those employees with financial reporting responsibilities.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
STATUS OF PRIOR YEAR FINDINGS (continued)
FOR THE YEAR ENDED JUNE 30, 2017**

Finding 2016-001 – Financial Reporting (continued)

Managements Response:

Management concurs with the finding and recommendation. Year-end procedures will be modified to ensure timely closing of general ledger. Checklists will be created to ensure all information needed to compile financial statements and prepare supporting schedules is available and complete. To the extent resources are available, the Department will provide training to employees with financial reporting responsibilities.

Current Year Status

Not implemented, see Finding 2017-001.

Finding 2016-002 – Depreciation Calculations

Criteria

In accordance with *Governmental Auditing Standards*, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations over financial reporting.

Condition

During our audit, we noted discrepancies when recalculating depreciation expense. Upon further research and inquiry with County personnel, it was apparent there were mistakes due to data entry errors among other things.

Cause of Condition

Lack of review procedures over data entry into the system of the County's Department of Public Works and Planning

Effect of Condition

Depreciation expense and accumulated depreciation could be misstated which would ultimately affect the presented amounts of depreciable capital assets.

Recommendation

We recommend the Department implement review procedures to ensure properly data entry of capital asset information into its system. We further recommend the Department go back through its current depreciation calculations and correct and update its system accordingly.

Management Response and Corrective Action Plan

Management concurs with the finding and recommendation. Prior to fiscal year end, staff will review depreciation reports along with depreciation entered in the PeopleSoft financial system to ensure depreciation calculations are accurate.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
STATUS OF PRIOR YEAR FINDINGS (continued)
FOR THE YEAR ENDED JUNE 30, 2017**

Finding 2016-002 – Depreciation Calculations (continued)

Current Year Status

Implemented.

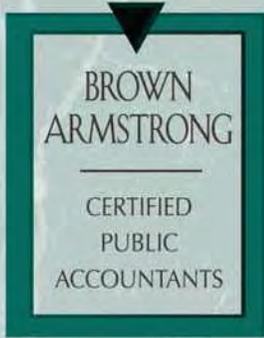
**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2018**

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BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of Fresno

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the County Service Area No. 39 (the CSA), a component unit of the County of Fresno, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the CSA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the CSA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CSA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the CSA, as of June 30, 2018, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the CSA, and do not purport to, and do not, present fairly the financial position of the County of Fresno, California, as of June 30, 2018, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2019, on our consideration of the CSA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CSA's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 31, 2019

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
STATEMENT OF NET POSITION
JUNE 30, 2018**

ASSETS

Current Assets	
Cash and investments	\$ 25,261
Receivables	
Accounts	3,036
Interest	<u>124</u>
Total Current Assets	28,421
Capital assets, net	<u>-</u>
Total Assets	<u>28,421</u>

LIABILITIES

Current Liabilities	
Accounts payable	15,665
Due to primary government	<u>3,101</u>
Total Liabilities	<u>18,766</u>

NET POSITION

Unrestricted	<u>9,655</u>
Total Net Position	<u>\$ 9,655</u>

See Independent Auditor's Report and the accompanying notes.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

OPERATING REVENUES	
Charges for services	\$ 89,099
	<u>89,099</u>
Total Operating Revenues	<u>89,099</u>
OPERATING EXPENSES	
Insurance	1,087
Professional services	40,682
General and administrative	3,619
Repairs and maintenance	2,686
Utilities	65,342
	<u>113,416</u>
Total Operating Expenses	<u>113,416</u>
Operating Income (Loss)	<u>(24,317)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment earnings (loss)	<u>(3)</u>
Total Non-operating Revenues (Expenses)	<u>(3)</u>
Change in Net Position	(24,320)
Net Position, Beginning of Year	<u>33,975</u>
Net Position, End of Year	<u>\$ 9,655</u>

See Independent Auditor's Report and the accompanying notes.

**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, 2018**

Cash Flows from Operating Activities	
Cash received from users	\$ 105,563
Cash paid to suppliers	<u>(109,588)</u>
Net cash provided (used) by operating activities	<u>(4,025)</u>
Cash Flows from Investing Activities	
Interest on investments	<u>(24)</u>
Net cash provided (used) by investing activities	<u>(24)</u>
Net change in cash and investments	(4,049)
Cash and Investments, Beginning of Year	<u>29,310</u>
Cash and Investments, End of Year	<u><u>\$ 25,261</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	\$ (24,317)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in operating assets and liabilities:	
Accounts receivable	16,464
Accounts payable	3,640
Due to primary government	<u>188</u>
Net cash provided (used) by operating activities	<u><u>\$ (4,025)</u></u>

See Independent Auditor's Report and the accompanying notes.

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements present only County Service Area No. 39 and are not intended to present fairly the financial position, changes in financial position, or cash flows of the County of Fresno, California in accordance with accounting principles generally accepted in the United States of America.

Reporting Entity: County Service Area No. 39, a special district (the District), is an enterprise fund of the County of Fresno (the County), which is a political subdivision of the State of California. The District 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. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. Under these criteria the District is considered a component unit of the County of Fresno and is reported in the County's Comprehensive Annual Financial Report (CAFR).

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 not subject to federal or state income taxes.

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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation:

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 Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

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

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (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 in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. 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.

Cash and Investments: The District maintains its cash account with the County of Fresno Auditor-Controller/Treasurer as part of the common investment pool. The County of Fresno is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

State statutes and the County of Fresno’s investment policy authorize the County Treasurer to invest in U.S. Government Treasury and Agency Securities, bankers’ acceptances, commercial paper, corporate bonds and notes, repurchase agreements, and the State Treasurer’s Local Agency Investment Fund (LAIF). In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held by the County Treasurer are stated at fair value. The fair value of pooled investments is determined quarterly and is based on current market prices received from the securities custodian. The balance available for withdrawal is based on the accounting records maintained by the County of Fresno Auditor-Controller/Treasurer.

Credit quality ratings are not available for the District’s investments as all cash is invested as part of the common investment pool of the County of Fresno Auditor-Controller/Treasurer. 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, 2018.

The District’s cash and investments for Statement of Cash Flows purposes are considered to be cash on hand, demand deposits, restricted cash, and investments held by the County of Fresno Auditor-Controller/Treasurer as part of the common investment pool.

Accounts Receivable: The “direct write-off” method for accounts receivable was applied for accounts that had been established as uncollectible. A deduction of revenue is recognized when an account is referred to the Revenue Reimbursement Division of the Auditor-Controller/Treasurer-Tax Collector and a Discharge of Accountability is received. The “direct write-off” method is not in compliance with generally accepted accounting principles. Any write-offs would be deemed immaterial to the financial statements as a whole. The District wrote off \$0 during the year ending June 30, 2018.

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets: Capital assets acquired are recorded at cost or estimated cost where cost is not available. Donated or contributed capital assets are recorded at estimated fair value on the date received. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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 capital assets, as applicable. Depreciation of capital assets is computed using the straight-line method applied over the estimated useful lives of the assets as follows:

Building and improvements:	25 Years
----------------------------	----------

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 \$15,665 and \$3,101, respectively, as of June 30, 2018, are related to certain contract services and payments for utility fees.

Net Position: Net position represents the residual interest in the District's assets after liabilities are deducted. In accordance with GASB Statement No. 63, the fund equity section on the Statement of Net Position was combined to report total net position and present it in three broad components:

- *Net investment in capital assets* – Amount consists of capital assets, including infrastructure, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – Amount consists of net position restricted by external creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabled legislature.
- *Unrestricted* – Amount consists of all net position that does not meet the definition "net investment in capital assets" or "restricted" net position.

When both restricted and unrestricted net position are available, restricted resources are depleted first before unrestricted resources are used.

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

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Constitution, 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 taxes receivable and receives the delinquent penalties and redemption interest accruing on delinquent collections related to participating agencies. The participating agencies, including school districts and special 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.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Governmental Accounting Standards Update: During the year ending June 30, 2018, the District implemented the following standards with no financial impact on the financial statements:

GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits other than Pension Plans*. The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2017.

GASB Statement No. 82 – *Pension Issues- an amendment of GASB Statements No. 67, No. 68, and No. 73*. The requirements of this statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

GASB Statement No. 85 – *Omnibus 2017*. The provisions of this statement are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 86 – *Certain Debt Extinguishment Issues*. The requirements of this statement are effective for reporting periods beginning after June 15, 2017.

Released GASB Statements to be implemented in future financial statements are as follows:

GASB Statement No. 83 – *Certain Asset Retirement Obligations*. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Accounting Standards Update (continued):

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 90 – *Majority Equity Interests- an amendment of GASB Statements No. 14 and No 61*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through January 31, 2019, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 25,261
Total cash and investments	\$ 25,261

Summary of Deposits:

Cash and investments as of June 30, 2018 consist of the following:

Deposits with County of Fresno Treasurer	\$ 25,261
Total cash and investments	\$ 25,261

See the County of Fresno Comprehensive Annual Financial Report for disclosures related to risks and fair value measurements.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Building and improvements	<u>\$ 1,115,384</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,115,384</u>
Total capital assets being depreciated:	<u>1,115,384</u>	<u>-</u>	<u>-</u>	<u>1,115,384</u>
Less accumulated depreciation:				
Building and improvements	<u>(1,115,384)</u>	<u>-</u>	<u>-</u>	<u>(1,115,384)</u>
Total accumulated depreciation:	<u>(1,115,384)</u>	<u>-</u>	<u>-</u>	<u>(1,115,384)</u>
Capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

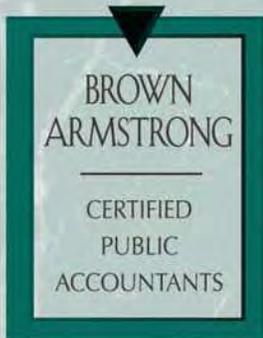
Depreciation expense for the year ended June 30, 2018, was \$0.

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 disasters. 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 the 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 effect on the financial position of the District.



BROWN ARMSTRONG

Certified Public Accountants

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

To the Board of Supervisors
County of Fresno

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We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the County Service Area No. 39 (the CSA), a component unit of the County of Fresno, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the CSA's basic financial statements, and have issued our report thereon dated January 31, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CSA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CSA's internal control. Accordingly, we do not express an opinion on the effectiveness of the CSA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the CSA's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CSA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CSA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 31, 2019

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

There were no current year findings required to be reported under *Government Auditing Standards*.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

Finding 2017-001 – Financial Reporting

Criteria:

The County's Department of Public Works and Planning (the Department) should design and implement internal controls over the financial reporting process to ensure the following: 1) that the general ledger undergoes adequate procedures to ensure the proper application of fiscal year cut-off, 2) that the general ledger fiscal year period is closed and related financial statement supporting schedules are prepared in a timely manner allowing for a more efficient audit, and 3) that the final trial balance figures are subject to sufficient management review so that balances are presented in accordance with generally accepted accounting principles (GAAP).

Condition:

During our fieldwork, we noted the Department did not have adequate year-end closing procedures. The closing procedures currently in place did not include sufficient review of accrual items before information was provided to the external auditors. The results of our testing indicated several material post-closing adjustments missed by the Department for 14 out of 34 audited locations (CSAs, Special Districts, and Disposal Sites), of which we proposed audit adjustments to properly state the year-end account balances in accordance with GAAP. All adjustments that were proposed during the current year audit were presented to management and subsequently posted to the financial statements.

Cause of Condition:

Internal controls have not been suitably designed and implemented over the financial reporting process to ensure that the timely closure of the general ledger and sufficient management supervision of this process results in reliable and materially correct ending account balances.

Effect of Condition:

Untimely closing and lack of procedures resulted in extended fieldwork for the audits of the CSAs and Districts. In addition, material adjustments were proposed and posted to the financial statements of the affected CSAs and Districts for the year ended June 30, 2017.

Recommendation:

We recommend that the Department implement stronger policies and procedures to ensure that a comprehensive closing of the general ledger is performed in a timely manner, and that sufficient resources and adequate oversight are available to oversee the year-end closing procedures and preparation of the financial statement supporting schedules. We also recommend that the Department strengthen its year-end closing procedures to ensure that all transactions related to the fiscal year are properly captured and recorded in the general ledger to ensure the accuracy and completeness of the financial statements. Lastly, we recommend the Department invest in training and cross-training programs for those employees with financial reporting responsibilities.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
STATUS OF PRIOR YEAR FINDINGS (continued)
FOR THE YEAR ENDED JUNE 30, 2018**

Finding 2017-001 – Financial Reporting (continued)

Managements Response:

Management concurs with the finding and recommendation. Year-end procedures will be modified to ensure timely closing of general ledger and should be in line with the Auditor-Controller/Treasurer-Tax Collector. Furthermore, Management will closely review all supporting schedules to ensure they are recorded properly on the Financial Statements before providing them to the external auditor. If resources are available, the Department will provide training to employees with financial reporting responsibilities.

Current Year Status:

Implemented.

Attachment F6

BEFORE THE BOARD OF SUPERVISORS
OF THE COUNTY OF FRESNO
STATE OF CALIFORNIA

IN THE MATTER OF INCREASED WATER)
FEES FOR COUNTY SERVICE AREA NO. 39AB) RESOLUTION
FOR FISCAL YEAR 2014-15)

WHEREAS County staff initiated in accordance with California Constitution Article XIII-D Section 6, State Proposition 218 (Right to Vote on Taxes Act of 1996) the process to increase water fees for the 140 residential lots served by and one school located within County Service Area No. 39AB (CSA 39AB); and

WHEREAS, a notice of the newly proposed fees for water services with instructions for submitting a written protest was sent by First Class mail on August 22, 2014, to each record owner of property in CSA 39AB as shown on the last equalized assessment roll, upon which fees for water services are imposed, in accordance with the provisions of California Constitution Article XIII-D Section 6; and

WHEREAS, a protest hearing was held on October 7, 2014, before the Board of Supervisors, at which time opportunity was provided for public comment, oral protests, and submission of written protests by owners of property in CSA 39AB, upon which fees for water service are imposed; and

WHEREAS, the Clerk or her designee tabulated the written protests at the end of the hearing and determined that a majority of owners of property subject to fees for water service in CSA 39AB, did not submit written protests to the increase in water fees for operation and maintenance costs for CSA 39AB.

THEREFORE BE IT RESOLVED, based on the results of the protest hearing, there was no majority protest and the fees, as set forth in Exhibit A, shall become effective November 1, 2014, and shall be published in the Master Schedule of Fees, Charges and Recovered Costs for administrative purposes only.

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THE FOREGOING was passed and adopted by the following vote of the Board of Supervisors of the County of Fresno this 7th day of October 2014, to-wit:

AYES: Supervisors Perea, Poochigian, Case McNairy, Larson, Borgeas

NOES: None

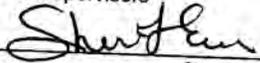
ABSENT: None



CHAIRMAN, Board of Supervisors

ATTEST:

BERNICE E. SEIDEL, Clerk
Board of Supervisors

By  Deputy

APPROVED AS TO LEGAL FORM:
DANIEL CEDERBORG, COUNTY COUNSEL

BY:  Deputy

APPROVED AS TO ACCOUNTING FORM:
VICKI CROW, C.P.A., AUDITOR-CONTROLLER/
TREASURER-TAX COLLECTOR

BY: 

EXHIBIT A

County Service Area No. 39AB (CSA 39AB) - Beran Way/Prospect Water Fees

New Water Fees

	Effective 11/1/2014	Effective 7/1/2015	Effective 7/1/2016	Effective 7/1/2017	Effective 7/1/2018
Base Water Fee/Month:	\$ 56.33	\$ 58.29	\$ 60.32	\$ 62.42	\$ 64.60

(Includes: 13,000 gallons per month "low season" November - April)

(Include: 28,000 gallons per month "high season" May - October)

Overuse Fees:

- \$1.69/1,000 gallons
(Allowance: 13,501-16,250 gallons low)
(Allowance: 28,001-35,000 gallons high)
- \$2.10/1,000 gallons
(Allowance: 16,251- 19,500 gallons low)
(Allowance: 35,001- 42,000 gallons high)
- \$2.54/1,000 gallons
(Allowance: 19,501+ gallons low)
(Allowance: 42,001+ gallons high)

FINANCIAL SECURITY PACKAGE (PLANNING)

Applicant (Entity) Name: County of Fresno	
Project Title: CSA 39AB Request for Additional Connections	
Contact Person: Amina Flores-Becker	Phone: () 559-600-4259

1. Amount of Assistance Requested: \$ 500,000

2. Planning has a term of 5 years.

3. Other Project Funding Sources

Name and Type of Funding Sources	Amount	Applied	Approved	Received
No other funding identified.	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	\$	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4. Current Year Median Household Income: \$ 28,000 per MHI Survey conducted in 2018

5a. Current Year Estimated Population Served: 395	5b. Check box if less than 50% of residences are permanently occupied <input type="checkbox"/>
--	---

6. Active Service Connections Not Applicable

Connection Type	Number of Connections	Current Monthly Service Charge	Average Monthly Billing (Last 12 months)
Residential	140	\$ 64.60	\$ 19,127.57
Commercial	1	\$ 64.60	\$ 211.81
Industrial		\$	\$
Other		\$	\$
TOTAL		\$	\$

Rate increase effective date for projected monthly service charges:

7. Projected Annual Operations and Maintenance Costs, Including amortized replacement costs (upon completion):	\$ 129,429
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8. Discussion of Material Events, Material Obligation Conditions, and Any Debt Limit

Identify any current prior material events such as bankruptcy, defaults, litigation, grand jury findings, unscheduled draws on reserve funds, substitution of insurers or their failure to perform, unscheduled draws on credit enhancements, actions taken in anticipation of filing Chapter 9, rating changes, relevant conditions in material obligations, and any local debt limit.

N/A

9. Water Rate Study

Has a water rate study been conducted for the water system? Yes No

If **yes**, please submit a complete copy of the Water Rate Study.

N/A

ATTACHMENTS (Check the box next to each item attached to your application.)

- F1 – AUDITED FINANCIAL STATEMENTS (3 years)**
- F5a – AUTHORIZING RESOLUTION/ORDINANCE (required for publicly owned entities)**
- F5b – CORPORATE RESOLUTION TO APPLY, BORROW AND TO GRANT SECURITY (required for corporations)**
- F6 – RATE ADOPTION RESOLUTION**
- F10 – NEW SPECIAL TAX, ASSESSMENT DISTRICT, OR SERVICE CHARGE PROJECTIONS (if applicable)**
- F11 – RELEVANT SERVICE, MANAGEMENT, CONSOLIDATION, OPERATING, OR JOINT POWERS AGREEMENTS (if applicable)**
- F12 – FUTURE CAPITAL NEEDS (if applicable)**

The following attachments are not required for Small DAC/SDAC applying for 100% grant or principal forgiveness funding. If a loan determination applies, applicant must submit all attachments.

- F2- BUDGETS OR PROJECTIONS (2 years)**
- F7 – PLEDGED REVENUES AND FUND(S) RESOLUTION**
- F8 – RELATED DEBT OR NO DEBT LETTER (see Application Information & Instructions)**
- F9 – DEBT MANAGEMENT POLICY**

State Use Only	
DWSRF Project #	
Project Manager	
Date Received	

RELATED DEBT

The following related debts are senior to the proposed DWSRF financing:

Name of Lender and Title of Debt or Loan Number	Debt Security or Source of Revenue	Debt Service Coverage Requirement	Rating	Original Debt Amount	Current Balance	Payment Amount	Interest Rate	Debt Term & Maturity Date
				\$	\$	\$		/
				\$	\$	\$		/
				\$	\$	\$		/

The following related debts are on parity to the proposed Financing Agreement:

Name of Lender and Title of Debt or Loan Number	Debt Security or Source of Revenue	Debt Service Coverage Requirement	Rating	Original Debt Amount	Current Balance	Payment Amount	Interest Rate	Debt Term & Maturity Date
				\$	\$	\$		/
				\$	\$	\$		/
				\$	\$	\$		/
				\$	\$	\$		/
				\$	\$	\$		/

The following related debts are subordinate to the proposed Financing Agreement:

Name of Lender and Title of Debt or Loan Number	Debt Security or Source of Revenue	Debt Service Coverage Requirement	Rating	Original Debt Amount	Current Balance	Payment Amount	Interest Rate	Debt Term & Maturity Date
				\$	\$	\$		/
				\$	\$	\$		/
				\$	\$	\$		/
				\$	\$	\$		/
				\$	\$	\$		/

Attach copies of the debt documents associated with the above debts.

Attachment F1

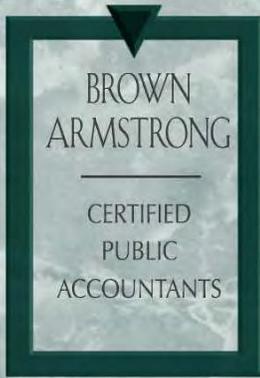
**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2016**

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Schedule of Findings and Responses	15
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BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of Fresno

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the County Service Area No. 39 (the CSA), a component unit of the County of Fresno, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the CSA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the CSA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CSA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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PASADENA OFFICE

260 S. LOS ROBLES AVENUE
SUITE 310
PASADENA, CA 91101
TEL 626.204.6542

STOCKTON OFFICE

5250 CLAREMONT AVENUE
SUITE 150
STOCKTON, CA 95207
TEL 209.451.4833

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the CSA, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the CSA, and do not purport to, and do not, present fairly the financial position of the County of Fresno, California, as of June 30, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2017, on our consideration of the CSA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CSA's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 31, 2017

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
STATEMENT OF NET POSITION
JUNE 30, 2016**

ASSETS

Current Assets	
Cash and investments	\$ 26,710
Receivables	
Accounts	21,979
Interest	<u>91</u>
Total Current Assets	48,780
Capital assets, net	<u>-</u>
Total Assets	<u>48,780</u>

LIABILITIES

Current Liabilities	
Accounts payable	8,763
Due to primary government	<u>3,296</u>
Total Liabilities	<u>12,059</u>

NET POSITION

Unrestricted	<u>36,721</u>
Total Net Position	<u><u>\$ 36,721</u></u>

The accompanying notes are an integral part of the financial statements.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016**

OPERATING REVENUES	
Charges for services	<u>\$ 96,229</u>
Total Operating Revenues	<u>96,229</u>
OPERATING EXPENSES	
Insurance	1,092
Professional services	39,677
Specialized departmental expenses	898
General and administrative	4,610
Repairs and maintenance	4,633
Utilities	<u>45,221</u>
Total Operating Expenses	<u>96,131</u>
Operating Income (Loss)	<u>98</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment earnings	<u>680</u>
Total Non-operating Revenues (Expenses)	<u>680</u>
Change in Net Position	778
Net Position, Beginning of Year	<u>35,943</u>
Net Position, End of Year	<u><u>\$ 36,721</u></u>

The accompanying notes are an integral part of the financial statements.

**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, 2016**

Cash Flows from Operating Activities	
Cash received from users	\$ 96,535
Cash paid to suppliers	<u>(90,673)</u>
Net cash provided (used) by operating activities	<u>5,862</u>
Cash Flows from Investing Activities	
Interest on investments	<u>672</u>
Net cash provided (used) by investing activities	<u>672</u>
Net change in cash and investments	6,534
Cash and Investments, Beginning of Year	<u>20,176</u>
Cash and Investments, End of Year	<u><u>\$ 26,710</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	\$ 98
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in operating assets and liabilities:	
Receivables	306
Accounts payable	5,102
Due to primary government	<u>356</u>
Net cash provided (used) by operating activities	<u><u>\$ 5,862</u></u>

The accompanying notes are an integral part of the financial statements.

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements present only County Service Area No. 39 and are not intended to present fairly the financial position, changes in financial position, or cash flows of the County of Fresno, California in accordance with accounting principles generally accepted in the United States of America.

Reporting Entity: County Service Area No. 39, a special district (the District), is an enterprise fund of the County of Fresno (the County), which is a political subdivision of the State of California. The District 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. 61, The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. Under these criteria the District is considered a component unit of the County of Fresno and is reported in the County's Comprehensive Annual Financial Report (CAFR).

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 not subject to federal or state income taxes.

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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation:

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

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 Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

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

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (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 in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. 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.

Cash and Investments: The District maintains its cash account with the County of Fresno Auditor-Controller/Treasurer as part of the common investment pool. The County of Fresno is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

State statutes and the County of Fresno’s investment policy authorize the County Treasurer to invest in U.S. Government Treasury and Agency Securities, bankers’ acceptances, commercial paper, corporate bonds and notes, repurchase agreements, and the State Treasurer’s Local Agency Investment Fund (LAIF). In accordance with GASB Statement No. 31, “Accounting and Financial Reporting for Certain Investments and External Investment Pools,” investments held by the County Treasurer are stated at fair value. The fair value of pooled investments is determined quarterly and is based on current market prices received from the securities custodian. The balance available for withdrawal is based on the accounting records maintained by the County of Fresno Auditor-Controller/Treasurer.

Credit quality ratings are not available for the District’s investments as all cash is invested as part of the common investment pool of the County of Fresno Auditor-Controller/Treasurer. 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, 2016.

The District’s cash and investments for Statement of Cash Flows purposes are considered to be cash on hand, demand deposits, restricted cash, and investments held by the County of Fresno Auditor-Controller/Treasurer as part of the common investment pool.

Accounts Receivable: The “direct write-off” method for accounts receivable was applied for accounts that had been established as uncollectible. A deduction of revenue is recognized when an account is referred to the Revenue Reimbursement Division of the Auditor-Controller/Treasurer-Tax Collector and a Discharge of Accountability is received. The “direct write-off” method is not in compliance with generally accepted accounting principles. Any write-offs would be deemed immaterial to the financial statements as a whole. The District wrote off \$0 during the year ending June 30, 2016.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets: Capital assets acquired are recorded at cost or estimated cost where cost is not available. Donated or contributed capital assets are recorded at estimated fair value on the date received. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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 capital assets, as applicable. Depreciation of capital assets is computed using the straight-line method applied over the estimated useful lives of the assets as follows:

Building and Improvements:	25 Years
----------------------------	----------

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 \$8,763 and \$3,296, respectively, as of June 30, 2016, are related to certain contract services and payments for utility fees.

Net Position: Net position represents the residual interest in the District's assets after liabilities are deducted. In accordance with GASB Statement No. 63, the fund equity section on the Statement of Net Position was combined to report total net position and present it in three broad components:

- *Net investment in capital assets* – Amount consists of capital assets, including infrastructure, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – Amount consists of net position restricted by external creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabled legislature.
- *Unrestricted* – Amount consists of all net position that does not meet the definition "net investment in capital assets" or "restricted" net position.

When both restricted and unrestricted net position are available, restricted resources are depleted first before unrestricted resources are used.

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 districts and special districts within the County. The Board levies property taxes on 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 31, and the second is generally due on February 1 and delinquent with penalties after April 30. Secured property taxes become a lien on the property on January 1. Property taxes on the unsecured roll are due upon receipt of the tax bill and become delinquent if unpaid on August 31.

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Constitution, 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 taxes receivable and receives the delinquent penalties and redemption interest accruing on delinquent collections related to participating agencies. The participating agencies, including school districts and special 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.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Governmental Accounting Standards Update: During the year ending June 30, 2016, the District implemented the following standards with no financial impact on the financial statements:

GASB Statement No. 72 – *Fair Value Measurement and Application*. The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2015.

GASB Statement No. 73 – *Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The provisions of this statement are effective for fiscal years beginning after June 15, 2015, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2015.

GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants*. The requirements of this statement are effective for reporting periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23-26 and 40, which are effective for reporting periods beginning after December 15, 2015.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Accounting Standards Update (continued):

Released GASB Statements to be implemented in future financial statements are as follows:

GASB Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2016.

GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits other than Pension Plans*. The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2017.

GASB Statement No. 77 – *Tax Abatement Disclosures*. The requirements of this statement are effective for reporting periods beginning after December 15, 2015.

GASB Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Plans*. The requirements of this statement are effective for reporting periods beginning after December 15, 2015.

GASB Statement No. 80 – *Blending Requirements for Certain Component Units- an amendment of GASB Statement No. 14*. The requirements of this statement are effective for reporting periods beginning after June 15, 2016.

GASB Statement No. 81 – *Irrevocable Split-Interest Agreements*. The requirements of this statement are effective for reporting periods beginning after December 15, 2016.

GASB Statement No. 82 – *Pension Issues- an amendment of GASB Statements No. 67, No. 68, and No. 73*. The requirements of this statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

GASB Statement No. 83 – *Certain Asset Retirement Obligations*. The requirements of this statement are effective for reporting periods beginning after June 15, 2018, early adoption is encouraged.

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through January 31, 2017, which is the date the financial statements were available to be issued.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2016 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 26,710
Total cash and investments	\$ 26,710

Summary of Deposits:

Cash and investments as of June 30, 2016 consist of the following:

Deposits with County of Fresno Treasurer	\$ 26,710
Total cash and investments	\$ 26,710

See the County of Fresno Comprehensive Annual Financial Report for disclosures related to risks and fair value measurements.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 is as follows:

	Beginning Balance	Additions	Deletions/ Adjustments	Ending Balance
Capital assets being depreciated:				
Building and improvements	\$ 1,115,384	\$ -	\$ -	\$ 1,115,384
Total capital assets being depreciated:	1,115,384	-	-	1,115,384
Less accumulated depreciation:				
Building and improvements	(1,115,384)	-	-	(1,115,384)
Total accumulated depreciation:	(1,115,384)	-	-	(1,115,384)
Capital assets, net	\$ -	\$ -	\$ -	\$ -

Depreciation expense for the year ended June 30, 2016, was \$0.

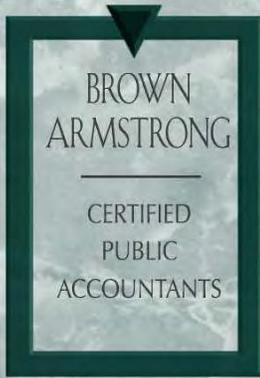
COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)

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 disasters. 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 the 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 effect on the financial position of the District.



BROWN ARMSTRONG

Certified Public Accountants

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

To the Board of Supervisors
County of Fresno

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We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the County Service Area No. 39 (the CSA), a component unit of the County of Fresno, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the CSA's basic financial statements, and have issued our report thereon dated January 31, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CSA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CSA's internal control. Accordingly, we do not express an opinion on the effectiveness of the CSA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the CSA's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies: 2016-001 and 2016-002.

Compliance and Other Matters

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

The CSA's Response to the Findings

The CSA's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The CSA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CSA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CSA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 31, 2017

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2016**

Finding 2016-001 – Financial Reporting

Criteria:

The County should design and implement internal controls over the financial reporting process to ensure the following: 1) that the general ledger undergoes adequate procedures to ensure the proper application of fiscal year cut-off, 2) that the general ledger fiscal year period is closed and related financial statement supporting schedules are prepared in a timely manner allowing for a more efficient audit, and 3) that the final trial balance figures are subject to sufficient management review so that balances are presented in accordance with generally accepted accounting principles (GAAP).

Condition:

During our fieldwork, we noted that the County did not have sufficient year-end closing procedures in place which would have allowed the financial statements to be issued in a timely manner. We noted that the closing procedures currently in place did not include a sufficient review of the information before it was provided to the external auditors. Based upon our audit we noted there were several post-close adjustments missed by the County. Adjustments made by management considered to be material to the financial statement were related to beginning fund balance/net assets for prior period adjustments, accounts payable, accounts receivable, notes receivable, deferred revenue, capital assets, long term debt, and revenue and expenditure/expense accounts. Also, during our testing of year-end cutoff procedures and over financial statements account balances we proposed audit adjustments to properly state the year-end account balances of certain accounts in accordance with GAAP. All adjustments that were proposed during the current year audit were presented to management and subsequently posted to the financial statements.

Cause of Condition:

Internal controls have not been suitably designed and implemented over the financial reporting process to ensure that the timely closure of the general ledger and sufficient management supervision of this process results in reliable and materially correct ending account balances.

Effect of Condition:

Untimely closing and lack of account balances resulted in extended fieldwork for the audits of the CSAs and Districts. In addition material adjustments were proposed and posted to the financial statements of the affected CSAs and Districts for the year ended June 30, 2016.

Recommendation:

We recommend that the Department implement stronger policies and procedures to ensure that a comprehensive closing of the general ledger is performed in a timely manner, and that sufficient resources and adequate oversight are available to oversee the year-end closing procedures and preparation of the financial statement supporting schedules. We also recommend that the Department strengthen its year-end closing procedures to ensure that all transactions related to the fiscal year are properly captured and recorded in the general ledger to ensure the accuracy and completeness of the financial statements. Lastly, we recommend the Department invest in training and cross-training programs for those employees with financial reporting responsibilities.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
SCHEDULE OF FINDINGS AND RESPONSES (continued)
FOR THE YEAR ENDED JUNE 30, 2016**

Finding 2016-001 – Financial Reporting (continued)

Managements Response:

Management concurs with the finding and recommendation. Year-end procedures will be modified to ensure timely closing of general ledger. Checklists will be created to ensure all information needed to compile financial statements and prepare supporting schedules is available and complete. To the extent resources are available, the Department will provide training to employees with financial reporting responsibilities.

Finding 2016-002 – Depreciation Calculations

Criteria

In accordance with *Governmental Auditing Standards*, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations over financial reporting.

Condition

During our audit, we noted discrepancies when recalculating depreciation expense. Upon further research and inquiry with County personnel, it was apparent there were mistakes due to data entry errors among other things.

Cause of Condition

Lack of review procedures over data entry into the system of the County's Department of Public Works and Planning

Effect of Condition

Depreciation expense and accumulated depreciation could be misstated which would ultimately affect the presented amounts of depreciable capital assets.

Recommendation

We recommend the Department implement review procedures to ensure properly data entry of capital asset information into its system. We further recommend the Department go back through its current depreciation calculations and correct and update its system accordingly.

Management Response and Corrective Action Plan

Management concurs with the finding and recommendation. Prior to fiscal year end, staff will review depreciation reports along with depreciation entered in the PeopleSoft financial system to ensure depreciation calculations are accurate.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

Finding 2015-001 – Financial Reporting

Criteria:

The County should design and implement internal controls over the financial reporting process to ensure the following: 1) that the general ledger undergoes adequate procedures to ensure the proper application of fiscal year cut-off, 2) that the general ledger fiscal year period is closed and related financial statement supporting schedules are prepared in a timely manner allowing for a more efficient audit, and 3) that the final trial balance figures are subject to sufficient management review so that balances are presented in accordance with generally accepted accounting principles (GAAP).

Condition:

During our fieldwork, we noted that the County did not have year-end closing procedures in place which would have allowed the financial statements to be issued in a timely manner. We noted that the closing procedures currently in place did not include a sufficient review of the information before it was provided to the external auditors. Based upon our audit we noted there were several post-close adjustments missed by the County. Adjustments made by management considered to be material to the financial statement were related to beginning fund balance/net assets for prior period adjustments, accounts payable, accounts receivable, notes receivable, deferred revenue, capital assets, long term debt, and revenue and expenditure/expense accounts. Also, during our testing of year-end cutoff procedures and over financial statements account balances we proposed audit adjustments to properly state the year-end account balances of certain accounts in accordance with GAAP. All adjustments that were proposed during the current year audit were presented to management and subsequently posted to the financial statements.

Cause of Condition:

Internal controls have not been suitably designed and implemented over the financial reporting process to ensure that the timely closure of the general ledger and sufficient management supervision of this process results in reliable and materially correct ending account balances in accordance with GAAP.

Effect of Condition:

Untimely closing and lack of account balances presented in accordance with GAAP resulted in final fieldwork for the audit of the CSA's being postponed. As a result, material adjustments were proposed and posted to the CSA's financial statements for the year ended June 30, 2015.

Recommendation:

We recommend that the County implement stronger policies and procedures to ensure that a comprehensive closing of the general ledger is performed in a timely manner and that sufficient resources and adequate oversight are available to oversee the CSA's year-end closing procedures and preparation of the financial statement supporting schedules. We also recommend that the CSA strengthen its year-end closing procedures to ensure that all transactions related to the fiscal year are properly captured and recorded in the general ledger to ensure the accuracy and completeness of the financial statements. Lastly, we recommend the CSA invest in training and cross-training programs for those employees with financial reporting responsibilities.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
STATUS OF PRIOR YEAR FINDINGS (continued)
FOR THE YEAR ENDED JUNE 30, 2016**

Finding 2015-001 – Financial Reporting (continued)

Managements Response:

Management concurs with finding and recommendation. The County’s Department of Public Works and Planning will review its year-end policies and procedures to ensure timely closing of the general ledger and to ensure all transactions are properly captured and recorded.

Current Year Status

Not implemented, see current year finding number 2016-001.

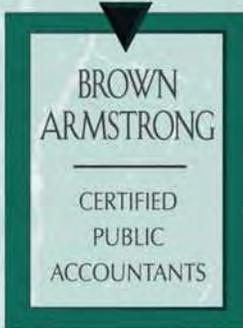
**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2017**

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BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of Fresno

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the County Service Area No. 39 (the CSA), a component unit of the County of Fresno, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the CSA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the CSA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CSA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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STOCKTON, CA 95207
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the CSA, as of June 30, 2017, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the CSA, and do not purport to, and do not, present fairly the financial position of the County of Fresno, California, as of June 30, 2017, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2018, on our consideration of the CSA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CSA's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 31, 2018

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
STATEMENT OF NET POSITION
JUNE 30, 2017**

ASSETS

Current Assets	
Cash and investments	\$ 29,310
Receivables	
Accounts	19,500
Interest	<u>103</u>
Total Current Assets	48,913
Capital assets, net	<u>-</u>
Total Assets	<u>48,913</u>

LIABILITIES

Current Liabilities	
Accounts payable	12,025
Due to primary government	<u>2,913</u>
Total Liabilities	<u>14,938</u>

NET POSITION

Unrestricted	<u>33,975</u>
Total Net Position	<u>\$ 33,975</u>

See Independent Auditor's Report and the accompanying notes.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017**

OPERATING REVENUES	
Charges for services	<u>\$ 102,435</u>
Total Operating Revenues	<u>102,435</u>
OPERATING EXPENSES	
Insurance	990
Professional services	37,656
General and administrative	3,815
Repairs and maintenance	11,385
Utilities	<u>51,426</u>
Total Operating Expenses	<u>105,272</u>
Operating Income (Loss)	<u>(2,837)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment earnings	<u>91</u>
Total Non-operating Revenues (Expenses)	<u>91</u>
Change in Net Position	(2,746)
Net Position, Beginning of Year	<u>36,721</u>
Net Position, End of Year	<u><u>\$ 33,975</u></u>

See Independent Auditor's Report and the accompanying notes.

**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, 2017**

Cash Flows from Operating Activities	
Cash received from users	\$ 104,914
Cash paid to suppliers	<u>(102,393)</u>
Net cash provided (used) by operating activities	<u>2,521</u>
Cash Flows from Investing Activities	
Interest on investments	<u>79</u>
Net cash provided (used) by investing activities	<u>79</u>
Net change in cash and investments	2,600
Cash and Investments, Beginning of Year	<u>26,710</u>
Cash and Investments, End of Year	<u>\$ 29,310</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	\$ (2,837)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in operating assets and liabilities:	
Accounts receivable	2,479
Accounts payable	3,262
Due to primary government	<u>(383)</u>
Net cash provided (used) by operating activities	<u>\$ 2,521</u>

See Independent Auditor's Report and the accompanying notes.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements present only County Service Area No. 39 and are not intended to present fairly the financial position, changes in financial position, or cash flows of the County of Fresno, California in accordance with accounting principles generally accepted in the United States of America.

Reporting Entity: County Service Area No. 39, a special district (the District), is an enterprise fund of the County of Fresno (the County), which is a political subdivision of the State of California. The District 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. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. Under these criteria the District is considered a component unit of the County of Fresno and is reported in the County's Comprehensive Annual Financial Report (CAFR).

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 not subject to federal or state income taxes.

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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation:

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 Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

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

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (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 in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. 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.

Cash and Investments: The District maintains its cash account with the County of Fresno Auditor-Controller/Treasurer as part of the common investment pool. The County of Fresno is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

State statutes and the County of Fresno’s investment policy authorize the County Treasurer to invest in U.S. Government Treasury and Agency Securities, bankers’ acceptances, commercial paper, corporate bonds and notes, repurchase agreements, and the State Treasurer’s Local Agency Investment Fund (LAIF). In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held by the County Treasurer are stated at fair value. The fair value of pooled investments is determined quarterly and is based on current market prices received from the securities custodian. The balance available for withdrawal is based on the accounting records maintained by the County of Fresno Auditor-Controller/Treasurer.

Credit quality ratings are not available for the District’s investments as all cash is invested as part of the common investment pool of the County of Fresno Auditor-Controller/Treasurer. 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, 2017.

The District’s cash and investments for Statement of Cash Flows purposes are considered to be cash on hand, demand deposits, restricted cash, and investments held by the County of Fresno Auditor-Controller/Treasurer as part of the common investment pool.

Accounts Receivable: The “direct write-off” method for accounts receivable was applied for accounts that had been established as uncollectible. A deduction of revenue is recognized when an account is referred to the Revenue Reimbursement Division of the Auditor-Controller/Treasurer-Tax Collector and a Discharge of Accountability is received. The “direct write-off” method is not in compliance with generally accepted accounting principles. Any write-offs would be deemed immaterial to the financial statements as a whole. The District wrote off \$0 during the year ending June 30, 2017.

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets: Capital assets acquired are recorded at cost or estimated cost where cost is not available. Donated or contributed capital assets are recorded at estimated fair value on the date received. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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 capital assets, as applicable. Depreciation of capital assets is computed using the straight-line method applied over the estimated useful lives of the assets as follows:

Building and improvements:	25 Years
----------------------------	----------

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 \$12,025 and \$2,913, respectively, as of June 30, 2017, are related to certain contract services and payments for utility fees.

Net Position: Net position represents the residual interest in the District's assets after liabilities are deducted. In accordance with GASB Statement No. 63, the fund equity section on the Statement of Net Position was combined to report total net position and present it in three broad components:

- *Net investment in capital assets* – Amount consists of capital assets, including infrastructure, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – Amount consists of net position restricted by external creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabled legislature.
- *Unrestricted* – Amount consists of all net position that does not meet the definition "net investment in capital assets" or "restricted" net position.

When both restricted and unrestricted net position are available, restricted resources are depleted first before unrestricted resources are used.

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

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Constitution, 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 taxes receivable and receives the delinquent penalties and redemption interest accruing on delinquent collections related to participating agencies. The participating agencies, including school districts and special 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.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Governmental Accounting Standards Update: During the year ending June 30, 2017, the District implemented the following standards with no financial impact on the financial statements:

GASB Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*. The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2016.

GASB Statement No. 77 – *Tax Abatement Disclosures*. The requirements of this statement are effective for reporting periods beginning after December 15, 2015.

GASB Statement No. 78 – *Pensions Provided through Certain Multiple-Employer Defined Benefit Plans*. The requirements of this statement are effective for reporting periods beginning after December 15, 2015.

GASB Statement No. 80 – *Blending Requirements for Certain Component Units- an amendment of GASB Statement No. 14*. The requirements of this statement are effective for reporting periods beginning after June 15, 2016.

GASB Statement No. 81 – *Irrevocable Split-Interest Agreements*. The requirements of this statement are effective for reporting periods beginning after December 15, 2016.

Released GASB Statements to be implemented in future financial statements are as follows:

GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits other than Pension Plans*. The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2017.

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Accounting Standards Update (continued):

GASB Statement No. 82 – *Pension Issues- an amendment of GASB Statements No. 67, No. 68, and No. 73.* The requirements of this statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

GASB Statement No. 83 – *Certain Asset Retirement Obligations.* The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 84 – *Fiduciary Activities.* The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 85 – *Omnibus 2017.* The provisions of this statement are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 86 – *Certain Debt Extinguishment Issues.* The requirements of this statement are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 87 – *Leases.* The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through January 31, 2018, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2017 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 29,310
Total cash and investments	<u>\$ 29,310</u>

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 2 – CASH AND INVESTMENTS (continued)

Summary of Deposits:

Cash and investments as of June 30, 2017 consist of the following:

Deposits with County of Fresno Treasurer	<u>\$ 29,310</u>
Total cash and investments	<u><u>\$ 29,310</u></u>

See the County of Fresno Comprehensive Annual Financial Report for disclosures related to risks and fair value measurements.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017 is as follows:

	Beginning Balance	Additions	Deletions/ Adjustments	Ending Balance
Capital assets being depreciated:				
Building and improvements	\$ 1,115,384	\$ -	\$ -	\$ 1,115,384
Total capital assets being depreciated:	1,115,384	-	-	1,115,384
Less accumulated depreciation:				
Building and improvements	(1,115,384)	-	-	(1,115,384)
Total accumulated depreciation:	(1,115,384)	-	-	(1,115,384)
Capital assets, net	\$ -	\$ -	\$ -	\$ -

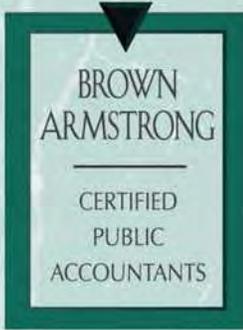
Depreciation expense for the year ended June 30, 2017, was \$0.

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 disasters. 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 the 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 effect on the financial position of the District.



BROWN ARMSTRONG

Certified Public Accountants

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

To the Board of Supervisors
County of Fresno

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We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the County Service Area No. 39 (the CSA), a component unit of the County of Fresno, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the CSA's basic financial statements, and have issued our report thereon dated January 31, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CSA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CSA's internal control. Accordingly, we do not express an opinion on the effectiveness of the CSA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the CSA's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency: 2017-001.

Compliance and Other Matters

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

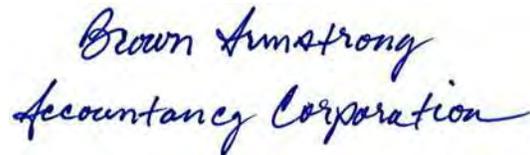
The CSA's Response to the Finding

The CSA's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The CSA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CSA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CSA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style and is positioned below the printed name of the firm.

Bakersfield, California
January 31, 2018

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017**

Finding 2017-001 – Financial Reporting

Criteria:

The County's Department of Public Works and Planning (the Department) should design and implement internal controls over the financial reporting process to ensure the following: 1) that the general ledger undergoes adequate procedures to ensure the proper application of fiscal year cut-off, 2) that the general ledger fiscal year period is closed and related financial statement supporting schedules are prepared in a timely manner allowing for a more efficient audit, and 3) that the final trial balance figures are subject to sufficient management review so that balances are presented in accordance with generally accepted accounting principles (GAAP).

Condition:

During our fieldwork, we noted the Department did not have adequate year-end closing procedures. The closing procedures currently in place did not include sufficient review of accrual items before information was provided to the external auditors. The results of our testing indicated several material post-closing adjustments missed by the Department for 14 out of 34 audited locations (CSAs, Special Districts, and Disposal Sites), of which we proposed audit adjustments to properly state the year-end account balances in accordance with GAAP. All adjustments that were proposed during the current year audit were presented to management and subsequently posted to the financial statements.

Cause of Condition:

Internal controls have not been suitably designed and implemented over the financial reporting process to ensure that the timely closure of the general ledger and sufficient management supervision of this process results in reliable and materially correct ending account balances.

Effect of Condition:

Untimely closing and lack of procedures resulted in extended fieldwork for the audits of the CSAs and Districts. In addition, material adjustments were proposed and posted to the financial statements of the affected CSAs and Districts for the year ended June 30, 2017.

Recommendation:

We recommend that the Department implement stronger policies and procedures to ensure that a comprehensive closing of the general ledger is performed in a timely manner, and that sufficient resources and adequate oversight are available to oversee the year-end closing procedures and preparation of the financial statement supporting schedules. We also recommend that the Department strengthen its year-end closing procedures to ensure that all transactions related to the fiscal year are properly captured and recorded in the general ledger to ensure the accuracy and completeness of the financial statements. Lastly, we recommend the Department invest in training and cross-training programs for those employees with financial reporting responsibilities.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
SCHEDULE OF FINDINGS AND RESPONSES (continued)
FOR THE YEAR ENDED JUNE 30, 2017**

Finding 2017-001 – Financial Reporting (continued)

Managements Response:

Management concurs with the finding and recommendation. Year-end procedures will be modified to ensure timely closing of general ledger and should be in line with the Auditor-Controller/Treasurer-Tax Collector. Furthermore, Management will closely review all supporting schedules to ensure they are recorded properly on the Financial Statements before providing them to the external auditor. If resources are available, the Department will provide training to employees with financial reporting responsibilities.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

Finding 2016-001 – Financial Reporting

Criteria:

The County should design and implement internal controls over the financial reporting process to ensure the following: 1) that the general ledger undergoes adequate procedures to ensure the proper application of fiscal year cut-off, 2) that the general ledger fiscal year period is closed and related financial statement supporting schedules are prepared in a timely manner allowing for a more efficient audit, and 3) that the final trial balance figures are subject to sufficient management review so that balances are presented in accordance with generally accepted accounting principles (GAAP).

Condition:

During our fieldwork, we noted that the County did not have sufficient year-end closing procedures in place which would have allowed the financial statements to be issued in a timely manner. We noted that the closing procedures currently in place did not include a sufficient review of the information before it was provided to the external auditors. Based upon our audit we noted there were several post-close adjustments missed by the County. Adjustments made by management considered to be material to the financial statement were related to beginning fund balance/net assets for prior period adjustments, accounts payable, accounts receivable, notes receivable, deferred revenue, capital assets, long term debt, and revenue and expenditure/expense accounts. Also, during our testing of year-end cutoff procedures and over financial statements account balances we proposed audit adjustments to properly state the year-end account balances of certain accounts in accordance with GAAP. All adjustments that were proposed during the current year audit were presented to management and subsequently posted to the financial statements.

Cause of Condition:

Internal controls have not been suitably designed and implemented over the financial reporting process to ensure that the timely closure of the general ledger and sufficient management supervision of this process results in reliable and materially correct ending account balances.

Effect of Condition:

Untimely closing and lack of account balances resulted in extended fieldwork for the audits of the CSAs and Districts. In addition, material adjustments were proposed and posted to the financial statements of the affected CSAs and Districts for the year ended June 30, 2016.

Recommendation:

We recommend that the Department implement stronger policies and procedures to ensure that a comprehensive closing of the general ledger is performed in a timely manner, and that sufficient resources and adequate oversight are available to oversee the year-end closing procedures and preparation of the financial statement supporting schedules. We also recommend that the Department strengthen its year-end closing procedures to ensure that all transactions related to the fiscal year are properly captured and recorded in the general ledger to ensure the accuracy and completeness of the financial statements. Lastly, we recommend the Department invest in training and cross-training programs for those employees with financial reporting responsibilities.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
STATUS OF PRIOR YEAR FINDINGS (continued)
FOR THE YEAR ENDED JUNE 30, 2017**

Finding 2016-001 – Financial Reporting (continued)

Managements Response:

Management concurs with the finding and recommendation. Year-end procedures will be modified to ensure timely closing of general ledger. Checklists will be created to ensure all information needed to compile financial statements and prepare supporting schedules is available and complete. To the extent resources are available, the Department will provide training to employees with financial reporting responsibilities.

Current Year Status

Not implemented, see Finding 2017-001.

Finding 2016-002 – Depreciation Calculations

Criteria

In accordance with *Governmental Auditing Standards*, internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations over financial reporting.

Condition

During our audit, we noted discrepancies when recalculating depreciation expense. Upon further research and inquiry with County personnel, it was apparent there were mistakes due to data entry errors among other things.

Cause of Condition

Lack of review procedures over data entry into the system of the County's Department of Public Works and Planning

Effect of Condition

Depreciation expense and accumulated depreciation could be misstated which would ultimately affect the presented amounts of depreciable capital assets.

Recommendation

We recommend the Department implement review procedures to ensure properly data entry of capital asset information into its system. We further recommend the Department go back through its current depreciation calculations and correct and update its system accordingly.

Management Response and Corrective Action Plan

Management concurs with the finding and recommendation. Prior to fiscal year end, staff will review depreciation reports along with depreciation entered in the PeopleSoft financial system to ensure depreciation calculations are accurate.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
STATUS OF PRIOR YEAR FINDINGS (continued)
FOR THE YEAR ENDED JUNE 30, 2017**

Finding 2016-002 – Depreciation Calculations (continued)

Current Year Status

Implemented.

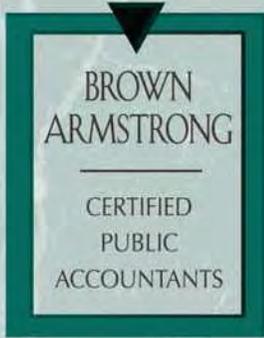
**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2018**

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BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Supervisors
County of Fresno

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the County Service Area No. 39 (the CSA), a component unit of the County of Fresno, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the CSA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the CSA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CSA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the CSA, as of June 30, 2018, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the CSA, and do not purport to, and do not, present fairly the financial position of the County of Fresno, California, as of June 30, 2018, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2019, on our consideration of the CSA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CSA's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 31, 2019

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
STATEMENT OF NET POSITION
JUNE 30, 2018**

ASSETS

Current Assets	
Cash and investments	\$ 25,261
Receivables	
Accounts	3,036
Interest	<u>124</u>
Total Current Assets	28,421
Capital assets, net	<u>-</u>
Total Assets	<u>28,421</u>

LIABILITIES

Current Liabilities	
Accounts payable	15,665
Due to primary government	<u>3,101</u>
Total Liabilities	<u>18,766</u>

NET POSITION

Unrestricted	<u>9,655</u>
Total Net Position	<u>\$ 9,655</u>

See Independent Auditor's Report and the accompanying notes.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018**

OPERATING REVENUES	
Charges for services	\$ 89,099
	<u>89,099</u>
Total Operating Revenues	<u>89,099</u>
OPERATING EXPENSES	
Insurance	1,087
Professional services	40,682
General and administrative	3,619
Repairs and maintenance	2,686
Utilities	65,342
	<u>113,416</u>
Total Operating Expenses	<u>113,416</u>
Operating Income (Loss)	<u>(24,317)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment earnings (loss)	<u>(3)</u>
Total Non-operating Revenues (Expenses)	<u>(3)</u>
Change in Net Position	(24,320)
Net Position, Beginning of Year	<u>33,975</u>
Net Position, End of Year	<u>\$ 9,655</u>

See Independent Auditor's Report and the accompanying notes.

**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, 2018**

Cash Flows from Operating Activities	
Cash received from users	\$ 105,563
Cash paid to suppliers	<u>(109,588)</u>
Net cash provided (used) by operating activities	<u>(4,025)</u>
Cash Flows from Investing Activities	
Interest on investments	<u>(24)</u>
Net cash provided (used) by investing activities	<u>(24)</u>
Net change in cash and investments	(4,049)
Cash and Investments, Beginning of Year	<u>29,310</u>
Cash and Investments, End of Year	<u><u>\$ 25,261</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating income (loss)	\$ (24,317)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in operating assets and liabilities:	
Accounts receivable	16,464
Accounts payable	3,640
Due to primary government	<u>188</u>
Net cash provided (used) by operating activities	<u><u>\$ (4,025)</u></u>

See Independent Auditor's Report and the accompanying notes.

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements present only County Service Area No. 39 and are not intended to present fairly the financial position, changes in financial position, or cash flows of the County of Fresno, California in accordance with accounting principles generally accepted in the United States of America.

Reporting Entity: County Service Area No. 39, a special district (the District), is an enterprise fund of the County of Fresno (the County), which is a political subdivision of the State of California. The District 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. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, to define the reporting entity. The financial statements include all operations over which the District is financially accountable. Under these criteria the District is considered a component unit of the County of Fresno and is reported in the County's Comprehensive Annual Financial Report (CAFR).

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 not subject to federal or state income taxes.

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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation:

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 Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

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

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (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 in the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. 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.

Cash and Investments: The District maintains its cash account with the County of Fresno Auditor-Controller/Treasurer as part of the common investment pool. The County of Fresno is restricted by Government Code Section 53635 pursuant to Section 53601 to invest in time deposits, U.S. government securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements.

State statutes and the County of Fresno’s investment policy authorize the County Treasurer to invest in U.S. Government Treasury and Agency Securities, bankers’ acceptances, commercial paper, corporate bonds and notes, repurchase agreements, and the State Treasurer’s Local Agency Investment Fund (LAIF). In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments held by the County Treasurer are stated at fair value. The fair value of pooled investments is determined quarterly and is based on current market prices received from the securities custodian. The balance available for withdrawal is based on the accounting records maintained by the County of Fresno Auditor-Controller/Treasurer.

Credit quality ratings are not available for the District’s investments as all cash is invested as part of the common investment pool of the County of Fresno Auditor-Controller/Treasurer. 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, 2018.

The District’s cash and investments for Statement of Cash Flows purposes are considered to be cash on hand, demand deposits, restricted cash, and investments held by the County of Fresno Auditor-Controller/Treasurer as part of the common investment pool.

Accounts Receivable: The “direct write-off” method for accounts receivable was applied for accounts that had been established as uncollectible. A deduction of revenue is recognized when an account is referred to the Revenue Reimbursement Division of the Auditor-Controller/Treasurer-Tax Collector and a Discharge of Accountability is received. The “direct write-off” method is not in compliance with generally accepted accounting principles. Any write-offs would be deemed immaterial to the financial statements as a whole. The District wrote off \$0 during the year ending June 30, 2018.

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets: Capital assets acquired are recorded at cost or estimated cost where cost is not available. Donated or contributed capital assets are recorded at estimated fair value on the date received. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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 capital assets, as applicable. Depreciation of capital assets is computed using the straight-line method applied over the estimated useful lives of the assets as follows:

Building and improvements:	25 Years
----------------------------	----------

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 \$15,665 and \$3,101, respectively, as of June 30, 2018, are related to certain contract services and payments for utility fees.

Net Position: Net position represents the residual interest in the District's assets after liabilities are deducted. In accordance with GASB Statement No. 63, the fund equity section on the Statement of Net Position was combined to report total net position and present it in three broad components:

- *Net investment in capital assets* – Amount consists of capital assets, including infrastructure, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – Amount consists of net position restricted by external creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabled legislature.
- *Unrestricted* – Amount consists of all net position that does not meet the definition "net investment in capital assets" or "restricted" net position.

When both restricted and unrestricted net position are available, restricted resources are depleted first before unrestricted resources are used.

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

COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Constitution, 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 taxes receivable and receives the delinquent penalties and redemption interest accruing on delinquent collections related to participating agencies. The participating agencies, including school districts and special 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.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Governmental Accounting Standards Update: During the year ending June 30, 2018, the District implemented the following standards with no financial impact on the financial statements:

GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits other than Pension Plans*. The provisions of this statement are effective for financial statements for reporting periods beginning after June 15, 2017.

GASB Statement No. 82 – *Pension Issues- an amendment of GASB Statements No. 67, No. 68, and No. 73*. The requirements of this statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

GASB Statement No. 85 – *Omnibus 2017*. The provisions of this statement are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 86 – *Certain Debt Extinguishment Issues*. The requirements of this statement are effective for reporting periods beginning after June 15, 2017.

Released GASB Statements to be implemented in future financial statements are as follows:

GASB Statement No. 83 – *Certain Asset Retirement Obligations*. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Accounting Standards Update (continued):

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 90 – *Majority Equity Interests- an amendment of GASB Statements No. 14 and No 61*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in the financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through January 31, 2019, which is the date the financial statements were available to be issued.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and investments	\$ 25,261
Total cash and investments	\$ 25,261

Summary of Deposits:

Cash and investments as of June 30, 2018 consist of the following:

Deposits with County of Fresno Treasurer	\$ 25,261
Total cash and investments	\$ 25,261

See the County of Fresno Comprehensive Annual Financial Report for disclosures related to risks and fair value measurements.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018 is as follows:

	Beginning Balance	Additions	Deletions/ Adjustments	Ending Balance
Capital assets being depreciated:				
Building and improvements	\$ 1,115,384	\$ -	\$ -	\$ 1,115,384
Total capital assets being depreciated:	<u>1,115,384</u>	<u>-</u>	<u>-</u>	<u>1,115,384</u>
Less accumulated depreciation:				
Building and improvements	(1,115,384)	-	-	(1,115,384)
Total accumulated depreciation:	<u>(1,115,384)</u>	<u>-</u>	<u>-</u>	<u>(1,115,384)</u>
Capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

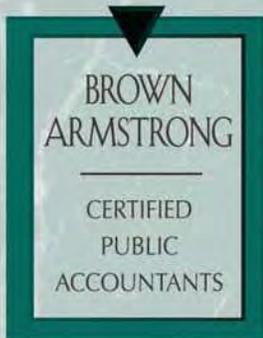
Depreciation expense for the year ended June 30, 2018, was \$0.

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 disasters. 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 the 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 effect on the financial position of the District.



BROWN ARMSTRONG

Certified Public Accountants

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

To the Board of Supervisors
County of Fresno

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(MAIN OFFICE)

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STOCKTON OFFICE

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We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the County Service Area No. 39 (the CSA), a component unit of the County of Fresno, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the CSA's basic financial statements, and have issued our report thereon dated January 31, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CSA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CSA's internal control. Accordingly, we do not express an opinion on the effectiveness of the CSA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the CSA's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CSA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CSA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 31, 2019

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018**

There were no current year findings required to be reported under *Government Auditing Standards*.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

Finding 2017-001 – Financial Reporting

Criteria:

The County's Department of Public Works and Planning (the Department) should design and implement internal controls over the financial reporting process to ensure the following: 1) that the general ledger undergoes adequate procedures to ensure the proper application of fiscal year cut-off, 2) that the general ledger fiscal year period is closed and related financial statement supporting schedules are prepared in a timely manner allowing for a more efficient audit, and 3) that the final trial balance figures are subject to sufficient management review so that balances are presented in accordance with generally accepted accounting principles (GAAP).

Condition:

During our fieldwork, we noted the Department did not have adequate year-end closing procedures. The closing procedures currently in place did not include sufficient review of accrual items before information was provided to the external auditors. The results of our testing indicated several material post-closing adjustments missed by the Department for 14 out of 34 audited locations (CSAs, Special Districts, and Disposal Sites), of which we proposed audit adjustments to properly state the year-end account balances in accordance with GAAP. All adjustments that were proposed during the current year audit were presented to management and subsequently posted to the financial statements.

Cause of Condition:

Internal controls have not been suitably designed and implemented over the financial reporting process to ensure that the timely closure of the general ledger and sufficient management supervision of this process results in reliable and materially correct ending account balances.

Effect of Condition:

Untimely closing and lack of procedures resulted in extended fieldwork for the audits of the CSAs and Districts. In addition, material adjustments were proposed and posted to the financial statements of the affected CSAs and Districts for the year ended June 30, 2017.

Recommendation:

We recommend that the Department implement stronger policies and procedures to ensure that a comprehensive closing of the general ledger is performed in a timely manner, and that sufficient resources and adequate oversight are available to oversee the year-end closing procedures and preparation of the financial statement supporting schedules. We also recommend that the Department strengthen its year-end closing procedures to ensure that all transactions related to the fiscal year are properly captured and recorded in the general ledger to ensure the accuracy and completeness of the financial statements. Lastly, we recommend the Department invest in training and cross-training programs for those employees with financial reporting responsibilities.

**COUNTY SERVICE AREA NO. 39
COUNTY OF FRESNO, CALIFORNIA
(A Component Unit of the County of Fresno)
STATUS OF PRIOR YEAR FINDINGS (continued)
FOR THE YEAR ENDED JUNE 30, 2018**

Finding 2017-001 – Financial Reporting (continued)

Managements Response:

Management concurs with the finding and recommendation. Year-end procedures will be modified to ensure timely closing of general ledger and should be in line with the Auditor-Controller/Treasurer-Tax Collector. Furthermore, Management will closely review all supporting schedules to ensure they are recorded properly on the Financial Statements before providing them to the external auditor. If resources are available, the Department will provide training to employees with financial reporting responsibilities.

Current Year Status:

Implemented.

Attachment F6

BEFORE THE BOARD OF SUPERVISORS
OF THE COUNTY OF FRESNO
STATE OF CALIFORNIA

IN THE MATTER OF INCREASED WATER)
FEES FOR COUNTY SERVICE AREA NO. 39AB) RESOLUTION
FOR FISCAL YEAR 2014-15)

WHEREAS County staff initiated in accordance with California Constitution Article XIII-D Section 6, State Proposition 218 (Right to Vote on Taxes Act of 1996) the process to increase water fees for the 140 residential lots served by and one school located within County Service Area No. 39AB (CSA 39AB); and

WHEREAS, a notice of the newly proposed fees for water services with instructions for submitting a written protest was sent by First Class mail on August 22, 2014, to each record owner of property in CSA 39AB as shown on the last equalized assessment roll, upon which fees for water services are imposed, in accordance with the provisions of California Constitution Article XIII-D Section 6; and

WHEREAS, a protest hearing was held on October 7, 2014, before the Board of Supervisors, at which time opportunity was provided for public comment, oral protests, and submission of written protests by owners of property in CSA 39AB, upon which fees for water service are imposed; and

WHEREAS, the Clerk or her designee tabulated the written protests at the end of the hearing and determined that a majority of owners of property subject to fees for water service in CSA 39AB, did not submit written protests to the increase in water fees for operation and maintenance costs for CSA 39AB.

THEREFORE BE IT RESOLVED, based on the results of the protest hearing, there was no majority protest and the fees, as set forth in Exhibit A, shall become effective November 1, 2014, and shall be published in the Master Schedule of Fees, Charges and Recovered Costs for administrative purposes only.

///

///

1 THE FOREGOING was passed and adopted by the following vote of the Board of

2 Supervisors of the County of Fresno this 7th day of October 2014, to-wit:

3 AYES: Supervisors Perea, Poochigian, Case McNairy, Larson, Borgeas

4 NOES: None

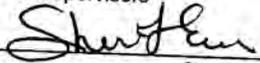
5 ABSENT: None

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CHAIRMAN, Board of Supervisors

ATTEST:
BERNICE E. SEIDEL, Clerk
Board of Supervisors

By 
Deputy

APPROVED AS TO LEGAL FORM:
DANIEL CEDERBORG, COUNTY COUNSEL

BY: 
Deputy

APPROVED AS TO ACCOUNTING FORM:
VICKI CROW, C.P.A., AUDITOR-CONTROLLER/
TREASURER-TAX COLLECTOR

BY: 

EXHIBIT A

County Service Area No. 39AB (CSA 39AB) - Beran Way/Prospect Water Fees

New Water Fees

	Effective 11/1/2014	Effective 7/1/2015	Effective 7/1/2016	Effective 7/1/2017	Effective 7/1/2018
Base Water Fee/Month:	\$ 56.33	\$ 58.29	\$ 60.32	\$ 62.42	\$ 64.60

(Includes: 13,000 gallons per month "low season" November - April)

(Include: 28,000 gallons per month "high season" May - October)

Overuse Fees:

\$1.69/1,000 gallons

(Allowance: 13,501-16,250 gallons low)

(Allowance: 28,001-35,000 gallons high)

\$2.10/1,000 gallons

(Allowance: 16,251- 19,500 gallons low)

(Allowance: 35,001- 42,000 gallons high)

\$2.54/1,000 gallons

(Allowance: 19,501+ gallons low)

(Allowance: 42,001+ gallons high)

TECHNICAL PACKAGE (PLANNING)

Applicant (Entity) Name: County of Fresno	
Project Title: CSA 39AB Request for Additional Connections	
Contact Person: Amina Flores-Becker	Phone: (559) 559-600-4259

I. Technical Information

1. Describe the water system and its facilities. Include details relating to source, storage, treatment, and distribution system. Attach a schematic/map of the system which includes existing facilities (label as **Attachment T1**).

The CSA39AB water system is divided into two components, one serving the northern portion of the service area known as Zone B and the other serving the southern portion of the area known as Zone A. The two components are connected via an 8-inch main in Marks Avenue. The combined system is comprised of approximately 7.8 miles of predominantly 6- and 8-inch water mains providing water supply to approximately 141 connections, including West Park Elementary School. The system is located in Fresno County, near the City of Fresno and receives water supply through a master meter connection from the City of Fresno. All of the parcels are metered.

The water system does not have water storage. The distribution system is looped consisting of 40,000 linear feet of PVC water mains and service lines ranging from 4-inches to 8-inches in diameter. The system has 63 valves, three blow-offs, and 16 fire hydrants.

Zone A consists of about 40 acres of residential area bounded by S Valentine and N Marks Avenue between W North Avenue and W Beran Way.

Zone B consists of 54 acres of residential area bounded by Church, Valentine, Jensen, and Marks Avenues. Both zones have master meters at the point of connection to the City of Fresno's distribution system. Zone A's master meter is located near the intersection of North and Newman Avenues. Zone B's master meter is located at the intersection of Church and West Avenues. Zones A and B are connected by two miles of 8-inch pipeline along Marks Avenue between Church and Muscat Avenues. The City of Fresno's responsibility ends at the master meters.

See Attachment T1

2. Describe the problem being addressed by the planning project and attach supporting documents of the problem (label as **Attachment T2**).

The problems to be addressed by this planning project are two-fold:

Supply Reliability:

The existing private wells in the area have water elevations at such a depth they are in danger of being unable to supply water in the event of another drought. Up to 20 residences (approximately 66 people) and an institutional connection (a church) are at risk due to this concern. To date, there have been 6 families with dry wells and the church, 3 families and the church that have had to dig deeper to access water, 1 family that replaced a water pump, 1 senior couple that hauls water, and 1 family that uses their irrigation well for water. Additionally, system modeling shows the existing system of the CSA is unable to meet fire flow demands while maintaining sufficient system pressure due to insufficient "looping" within the localized water system.

Supply Quality:

The existing private wells experience elevated levels of nitrate, 14 of the 20 homes sampled exceeded the nitrate MCL (see sampling results Attachment T2). The exceeding nitrate levels are a real concern, especially for families with pregnant women, children under 6 months, and women that are breastfeeding. To ensure that these vulnerable groups remain healthy, families must budget the cost of bottled water for drinking and cooking, which means an additional financial strain on an already tight annual budget of \$28,000 (based on a 2018 MHI Survey of the project area).

Finally, the Boundary Lines for CSA 39AB leave interested homeowner unable to connect to existing waterlines. Of the 20 homes and 1 institutional connection (church), all are either directly in-front of or within 1 mile (if not less) of an existing waterline.

3. Has an analysis of alternatives been completed? Make sure the analysis includes consolidation as an alternative.
 YES (Attach a copy of the analysis and label as **Attachment T3**)
 NO

4. Attach a Scope of the Project (label as **Attachment T4**).
5. Attach a signed Certification for Compliance with Water Metering (label as **Attachment T5a**).
6. Attach a schematic/map of the proposed facilities if available (label as **Attachment T6**).
7. Attach an Engineering Report if available (label as **Attachment T7**).
8. Attach a copy of the applicable professional engineering services contract if available (label as **Attachment T8**).

9. Proposed eligible start date (see instructions): 10/24/2018
10. Estimated project expenditures incurred prior to executing a financing agreement, which the entity intends to claim for reimbursement: \$ 60,000

II. WATER RIGHTS, WATER CONSERVATION AND URBAN WATER MANAGEMENT

WATER RIGHTS

1. Describe the nature of the water rights applicable to your water source and attach water rights documentation related to water source (label as **Attachment T9**).

The CSA is served water through a connection to the City of Fresno. The City of Fresno utilizes surface and groundwater to supply water to its customers. In this area of the City's system, the groundwater wells contribute predominantly and do not require or carry documentation.

Attachment T9 is the executed agreement between City of Fresno and County of Fresno County.

WATER DIVERSION REPORTING

2. Are you a water diverter in compliance with Water Code Section 5103?
 YES NO

For information see: http://www.waterboards.ca.gov/waterrights/water_issues/programs/diversion_use/

WATER CONSERVATION

3. If you are a retail water supplier, are you in compliance with the State Water Board's emergency drought regulations at Section 863-865 of title 23 of the California Code of Regulations?

YES NO

4. Are you an urban water supplier as defined in Water Code Section 10608.12?

YES NO

Urban water suppliers must submit one of the following:

- Water Conservation Program (label as Attachment **T10**)
- Signed the Memorandum of Understanding regarding urban water conservation in California (label as Attachment **T11**)
- Urban Water Management Plan per Water Code Section 10653 (label as Attachment **T12**).

ATTACHMENT CHECKLIST

Check the box next to each item attached to your application.

- T1 – Schematic/Map of System and Facilities
- T2 – Supporting Documents of the Problem
- T3 – Analysis of Alternatives (if applicable)
- T4 – Scope of the Project (see attached outline)
- T5a – Certification for Compliance with Water Metering Form
- T6 – Schematic/Map of the Proposed Facilities (if available)
- T7 – Engineering Report (if available)
- T8 – Contract for Professional Engineering Services (if available)
- T9 – Water Rights Documentation (if applicable)
- T10 – Water Conservation Program (if applicable)
- T11 – Memorandum of Understanding (if applicable)
- T12 – Urban Water Management Plan (if applicable)

CERTIFICATION FOR COMPLIANCE WITH WATER METERING REQUIREMENTS FOR FUNDING APPLICATIONS



**Funding Agency
Name:**

State Water Resources Control Board

**Funding Program
Name:**

Drinking Water State Revolving Fund

**Applicant (Agency
Name):**

County of Fresno

Please check one of the boxes below and sign and date this form.

As the authorized representative for the applicant agency, I certify under penalty of perjury that the agency is not an urban water supplier, as that term is understood pursuant to the provisions of section 529.5 of the Water Code.

As the authorized representative for the applicant agency, I certify under penalty of perjury that the applicant agency has fully complied with the provisions of Division 1, Chapter 8, Article 3.5 of the California Water Code (sections 525 through 529.7 inclusive) and that the ordinances, rules, or regulations submitted with this certification as listed below have been duly adopted and are in effect as of this date.

I understand that the Funding Agency will rely on this signed certification in order to approve funding and that false and/or inaccurate representations in this Certification Statement may result in loss of all funds awarded to the applicant for its project. Additionally, for the aforementioned reasons, the Funding Agency may withhold disbursement of project funds, and/or pursue any other applicable legal remedy.

Steven E. White

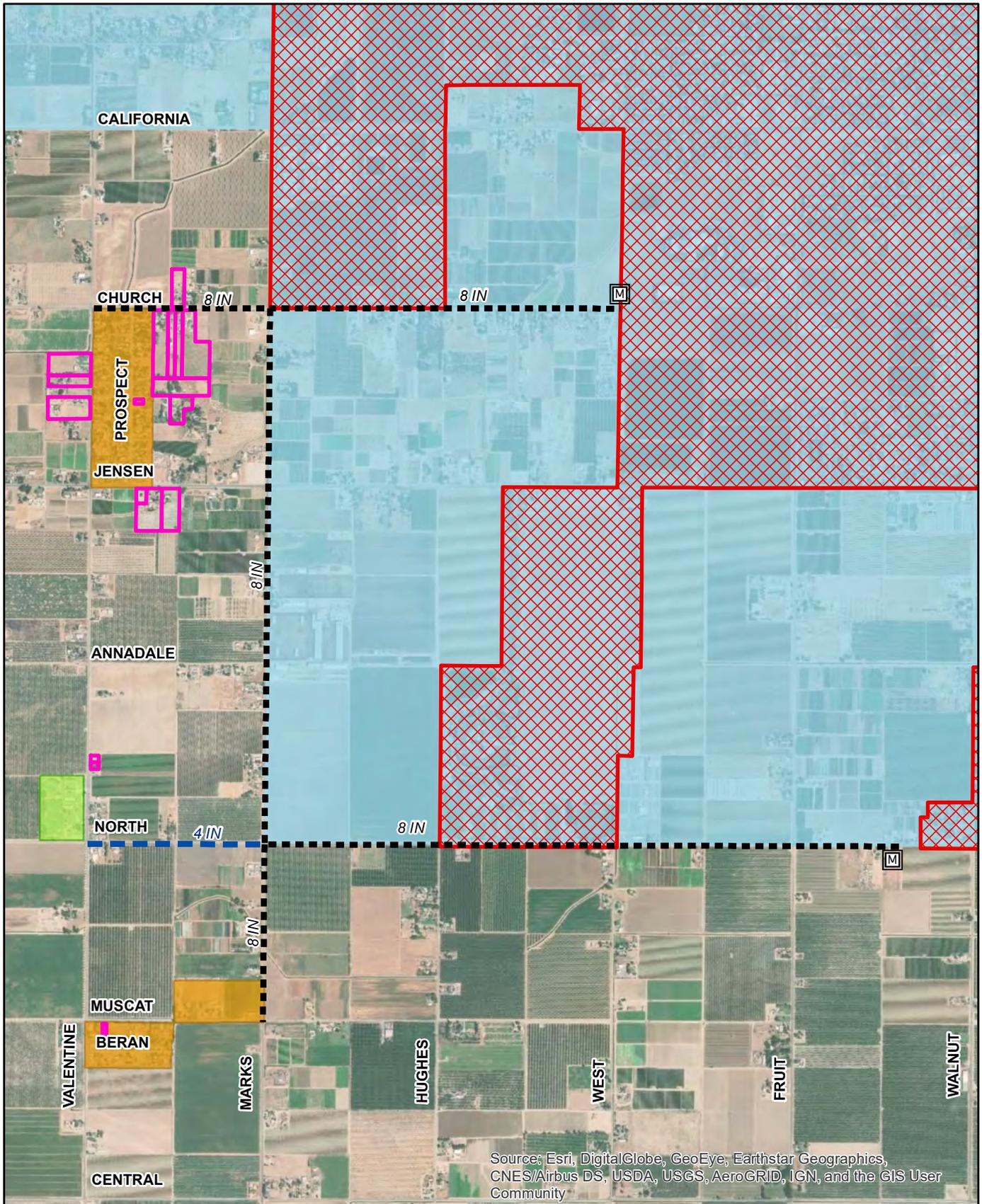
Name of Authorized Representative
(Please print)

Title

Signature of Authorized Representative

Date

Attachment T1



Source: Esri, DigitalGlobe, GeoEye, Earthstar Geographics, CNES/Airbus DS, USDA, USGS, AeroGRID, IGN, and the GIS User Community

EST 1988
PROVOST & PRITCHARD
 CONSULTING GROUP
An Employee Owned Company

0 500 1,000
 Feet

North arrow pointing up.

Potential CSA39AB Annexation Parcels	Metered Connection
CSA 39AB Boundary	Existing Water Main
Out of District Service (School)	4 IN
City of Fresno, City Limits	8 IN
City of Fresno SOI	

Fresno County
CSA 39AB

Existing System Facilities

Attachment T2

CSA 39AB Water Sampling Results

Address	Date	Nitrate MCL 10 mg/L (as N)	Uranium MCL 30 ug/L	DBCP 0.2 ug/L	Total Coliform Absent/present	Ecoli Absent/present
BW 1	4/1/2015	38	34	No Test	Absent	Absent
BW 2	4/1/2015	29	No Test	No Test	No Test	No Test
BW 3	4/1/2015	27	36	No Test	Absent	Absent
BW 4	4/1/2015	24	31	No Test	Absent	Absent
BW 5	4/1/2015	19	No Test	0.024	Absent	Absent
BW 6	4/1/2015	14	16	0.17	Present	Absent
BW 7	4/1/2015	24	30	0.76	Absent	Absent
BW 8	7/14/2015	4	ND	No Test	No Test	No Test

Address	Date	Nitrate MCL 10 mg/L (as N)	Uranium MCL 30 ug/L	DBCP 0.2 ug/L	Total Coliform Absent/present	Ecoli Absent/present
BW 1	8/10/2016	33	35	No Test	No Test	No Test
BW 3	8/10/2016	15	16	No Test	No Test	No Test
BW 4	8/10/2016	23	29	No Test	No Test	No Test
BW 5	8/10/2016	20	20	No Test	No Test	No Test
BW 6	8/10/2016	23	20	No Test	No Test	No Test
BW 7	8/10/2016	25	30	No Test	No Test	No Test

Address	Date Tested	Nitrate MCL 10 mg/L (as N)	Uranium MCL 30 ug/L	DBCP 0.2 ug/L	Total Coliform Absent/present	Ecoli Absent/present
BW 9	4/10/2017	0.59	ND	No Test	Present	Absent
BW 10	1/3/2019	18	15	No Test	Absent	Absent
BW 11	1/3/2019	18	15	No Test	Absent	Absent
BW 12	1/3/2019	18	15	No Test	Absent	Absent
BW 13	1/3/2019	18	15	No Test	Absent	Absent
BW 14	1/9/2019	4	19	No Test	Present	Absent
BW 15	1/9/2019	6	1.8	No Test	Absent	Absent
BW 16	1/9/2019	0.52	ND	No Test	Absent	Absent
BW 17	1/9/2019	0.52	ND	No Test	Absent	Absent
BW 18	1/9/2019	14	12	No Test	Absent	Absent
BW 19	1/9/2019	14	12	No Test	Absent	Absent
BW 20	1/9/2019	30	100	No Test	Present	Absent

Attachment T4

5	<p>Construction Document Preparation</p> <ul style="list-style-type: none"> • Conduct topographic survey of proposed project limits, as needed based on selected alternative. • Perform geotechnical investigation for proposed project. • Prepare draft construction documents for the selected alternative including plans, specifications and Engineer’s Opinion of Probable Construction Cost. <ul style="list-style-type: none"> ○ Level of completion of draft construction documents will depending on selected alternative and funding remaining. It is anticipated 90% construction documents can be accommodated. ○ Construction documents will be finalized with construction funding to capture new requirements or code changes.
6	<p>Environmental Document Preparation</p> <ul style="list-style-type: none"> • Review project description and CEQA/NEPA guidelines for possible exemptions. • Prepare CEQA/NEPA documents for selected alternative in compliance with CEQA/NEPA requirements for SWRCB SRF funded projects. <ul style="list-style-type: none"> ○ Initial Study/Mitigated Negative Declaration is the assumed level of CEQA/NEAP documents required. • This task will include required CEQA/NEPA studies such as biological and cultural resources studies.
7	<p>TMF Assessment</p> <ul style="list-style-type: none"> • Prepare TMF assessment based on selected alternative and SWRCB guidelines. • Prepare all supporting documentation necessary to fulfill and complete requirements outlined in SWRCB TMF Assessment Form for Community Water Systems.
8	<p>Grant Administration & Project Support</p> <ul style="list-style-type: none"> • Miscellaneous project costs such as permitting fees and grant administration. • This task assumes grant term will be approximately 18 months.
9	<p>Project Contingency</p> <ul style="list-style-type: none"> • Accommodate changing project requirements that arise throughout the execution of Tasks 1 through 8.

Attachment T9

Ag 91-143

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A G R E E M E N T

THIS AGREEMENT, made this 9th day of April, 1990, by and between the COUNTY OF FRESNO, a political subdivision of the State of California, hereinafter referred to as the "County", and the CITY OF FRESNO, hereinafter referred to as the "City".

W I T N E S S E T H

WHEREAS, private water wells in two unincorporated subdivisions, west of the City of Fresno, are seriously contaminated with nitrates; and

WHEREAS, nitrate contamination is a serious threat to the public health, especially for infants and the elderly; and

WHEREAS, the County has applied for a Farmers Home Administration (FmHA) grant and loan of \$1,570,032 to construct a community water system to address the water contamination problem; and

WHEREAS, the County has been certified for a State of California Department of Water Resources (DWR) grant of \$510,000 to reduce the FmHA loan to make the project more affordable for the residents; and

WHEREAS, the FmHA requires that the subdivisions connect to the Fresno Municipal Water System instead of constructing an independent water system; and

WHEREAS, the City is willing to allow the subdivisions to connect to the Municipal Water System, provided that, a County Service Area be formed to assume responsibility for constructing and maintaining the water system; and

WHEREAS, the City is willing to adjust their standard billing rate to reflect the County maintenance and billing obligations.

NOW THEREFORE, in consideration of their mutual promises as hereinafter set forth, the City and County agree as follows:

I. PROJECT DESCRIPTION AND LOCATION

1 The project consists of the construction of a water distribution
2 system (the "System") by the County and the provision of municipal water
3 service by the City of Fresno from the Fresno Municipal Water System to two
4 unincorporated areas (the "Areas") west of the City of Fresno known as Beran
5 Tracts No. 1 and 2. The Beran Tract No. 1 area (the "Area No. 1") is
6 generally located along Muscat Avenue and Beran Way east of Valentine
7 Avenue. A map of Beran Tract No. 1 is attached as Exhibit "A". The Beran
8 Tract No. 2 (the Area No. 2") is generally located along Valentine and
9 Prospect Avenues between Church and Jensen Avenues. A map of Beran Tract
10 No. 2 is attached as Exhibit "B". The project is necessary to connect the
11 residents of the Areas to the sole and exclusive source of safe and sanitary
12 drinking water available to the Areas.

13 II. OBLIGATIONS OF THE COUNTY

14 A. The County shall perform all steps necessary to form a County
15 Service Area, hereinafter referred to as the "CSA", to operate and maintain
16 the System and to provide such other services as deemed appropriate for the
17 Areas.

18 B. The funding to construct the project shall be limited to funds
19 received by the County from FmHA and/or DWR grants and loans.

20 C. The County shall perform, or cause to be performed, all the
21 necessary engineering work and shall obtain all necessary permits on behalf
22 of the CSA.

23 D. Upon completion of the design engineering work, but prior to
24 their submission to the required reviewing agencies of the FmHA and the DWR
25 for final approval, the County shall furnish the City with copies of the
26 final plans and specifications.

27 E. Upon approval of the plans by the FmHA and the DWR, the County
28 shall advertise for bids and shall award the contract to the lowest

1 responsible bidder in accordance with general Fresno County procedures.

2 F. Prior to the date the work is to begin, the County shall give
3 notice thereof to the City that County is to commence work.

4 G. Upon completion of the project, the County shall provide the
5 City with a copy of the "as-built" drawings and shall give a copy of the
6 Notice of Completion to the City.

7 H. The County shall send all plans and notices to:

8 Mr. William E. Burmeister, City Water System Manager
9 City of Fresno Public Works Department, Water Division
10 1910 E. University Avenue
11 Fresno, CA 93703
12 Telephone: (209) 498-1412

13 I. The County shall be responsible for forming any required
14 assessment district in the Areas and for collecting any annual payments from
15 property owners participating in the project until such time as the
16 financial obligations of the assessment district are met or the financial
17 obligations are assumed by the City in accordance with Section II-J of this
18 Agreement.

19 J. Upon completion of the construction of the System, the CSA
20 shall own the improvements. If the Areas are annexed by the City in their
21 entirety, the CSA shall be dissolved and the improvements shall become the
22 property of the City at no cost to the City, except that the City shall
23 assume responsibility for any remaining County financial and contractual
24 obligations under the FmHA and DWR grant and loan contracts for the
25 installation of the System. Such assumption of obligations shall only occur
26 after the County and the City have received approval of the transfer from
27 FmHA and DWR. The County will assign and transfer to the City all remaining
28 warranties pertaining to the System, or the parts thereof, upon annexation.

K. The County shall install and maintain two master water meters
for the purpose of metering water flow into the CSA. Subject to DWR grant

1 program regulations and availability of DWR funding for the water meters, it
2 is the County's intention to install water meters and water boxes for each
3 water service in the CSA. Even though the County intends to install
4 individual meters, it is understood that the City will solely rely on the
5 master water meters for the CSA to establish monthly water service charges
6 for the CSA. Individual meters will not be read by the City or relied upon
7 by the City to establish monthly water rates until such time as the Areas
8 are annexed to the City.

9 L. Subject to the approval of grant/loan funding sufficient to
10 construct the System, the County agrees to pay the City a water system
11 connection fee of \$100,000 from FmHA grant/loan funds. This amount is equal
12 to the Areas' proportionate share for the construction of an additional
13 water well in the City of Fresno based on the 165 parcels in the areas. The
14 County shall make this payment within thirty (30) days of the filing of the
15 Notice of Completion for the project.

16 M. Prior to annexation to the City, the County shall operate,
17 repair, and maintain the System pursuant to California Department of Health
18 Services regulations and provide for replacement of the System in whole or
19 in part as required.

20 N. The County shall be responsible for billing and collecting
21 service fees from the water users in the Areas, until the City annexes the
22 Areas. At that time, the City shall become responsible for billing and
23 collecting service fees from water users that are annexed to the City.

24 O. The County Auditor-Controller shall, within 25 days of receipt
25 of a City invoice, pay to the City all monthly service fees due to the City
26 under this Agreement.

27 P. The County shall not be relieved of any of its obligations
28 under this Agreement, until the Areas are annexed to the City and the CSA is

1 dissolved in accordance with Section II-J of this Agreement, or the
2 Agreement is terminated in accordance with Section VII of this Agreement.

3 Q. The County shall allow the City to connect to the CSA's water
4 mains any existing residence that is located outside the boundaries of the
5 CSA which have contaminated private water wells; subject to the County
6 determining that such connections would not adversely affect water service
7 within the CSA. The City would be responsible for maintaining as well as
8 for billing and collecting monthly service charges for any connections that
9 are permitted by this paragraph.

10 III. OBLIGATIONS OF THE CITY

11 A. The City shall provide any and all amounts of water required
12 by domestic water users within the Areas upon the filing of a Notice of
13 Completion for the water distribution system by the County. If a water
14 shortage were to occur in the City and rationing were required for all City
15 residents by order of the City Council, the City shall only be permitted to
16 reduce water quantities to the Areas in proportion to the reduction required
17 by the City Council for the residents within the City.

18 B. The City shall bill the CSA for water usage by the CSA. In
19 consideration that the CSA will be responsible for system maintenance and
20 customer billing and collection, the standard monthly rates for the 8"
21 master water meters shall be based on the City Master Fee Resolution minus
22 ten percent (10%). The charge shall be billed to the CSA for each 8" water
23 meter plus the usage charge per 100 cubic feet of water used. Future rate
24 adjustments for the CSA's water usage shall occur at the time of rate
25 increases charged to all other users of City water. The City shall credit
26 to the CSA any revenues received for water use pursuant to other connections
27 made by the City as set forth in Section II-Q above.

28 C. The City shall be solely responsible for site selection,

1 property acquisition and construction of the water well as paid for with DWR
2 and FmHA funds, except that the City shall notify the County when the well
3 has been constructed. The City shall also be responsible for complying with
4 any and all DWR and federal regulations that may be required in the
5 construction of the water well.

6 D. The City shall not be relieved of any of its obligations under
7 this Agreement to provide water until the Areas are annexed to the City and
8 the CSA is dissolved in accordance with Section II-J, or the Agreement is
9 terminated in accordance with Section VII of this Agreement.

10 E. The City shall be responsible for billing and collection; for
11 operation, repair and maintenance of the System; and for replacement of the
12 System, as required, after the Areas are annexed and the CSA is dissolved.

13 IV. PROJECT SUBJECT TO RECEIVING DWR GRANT FUNDS

14 This Agreement, and the obligations of the parties created herein,
15 are contingent upon the County receiving approval of necessary grants and
16 loans from the FmHA and DWR under the California Safe Drinking Water Bond
17 Law of 1986. The County shall notify the City in writing within 10 days of
18 receipt of the executed grant Agreements from the FmHA and the DWR. In the
19 event that the County does not receive the necessary funding to construct
20 the System, this Agreement shall automatically be terminated upon written
21 notification from the County.

22 V. TIME OF PERFORMANCE

23 This Agreement shall take effect upon execution by both City and
24 County. Except as provided for Section II-J of this Agreement, the County's
25 financial and contractual obligations to FmHA and DWR in accordance with the
26 grants and loan repayment is for a period of up to forty years, after FmHA
27 and the DWR funding is provided for the project. The Agreement shall remain
28 in force until the Areas are annexed in their entirety to the City and the

1 CSA is dissolved in accordance with Section II-J or until the Agreement is
2 terminated in accordance with Section VII of this Agreement.

3 VI. AMENDMENTS TO AGREEMENT

4 This Agreement may be modified or amended only by mutual consent
5 of both parties in writing.

6 VII. TERMINATION

7 Except as otherwise provided in Sections III-E, IV and V of this
8 Agreement, termination of this Agreement may occur only by mutual written
9 consent of both parties.

10 VIII. INDEMNIFICATION

11 A. The City shall indemnify, defend, and hold harmless the County
12 and CSA, their officers, agents, and employees only from claims or losses
13 occurring or resulting from the performance by the City or its agents of
14 obligations agreed to be performed by the City under this Agreement.

15 B. The County shall indemnify, defend, and hold harmless the
16 City, its officers, agents, and employees only from claims and losses
17 occurring or resulting from the performance by the County or its agents of
18 obligations agreed to be performed by the County under this Agreement.

19 IX. BREACH OF AGREEMENT

20 A. In the event the City fails to comply with any of the terms of
21 this Agreement, the County may, at its option, deem the City failure a
22 material breach and utilize any remedy available in law or equity that it
23 deems appropriate. Should the County deem a breach material, the County
24 shall immediately be relieved of its obligations under this Agreement.
25 Termination of this Agreement due to breach shall not limit the rights of
26 the County in seeking any other legal relief including the recovery of
27 damages.

28 B. In the event the County fails to comply with any of the terms

1 of this Agreement, the City may, at its option, deem the County failure a
2 material breach and utilize any remedy available in law or equity that it
3 deems appropriate. Should the City deem a breach material, the City shall
4 immediately be relieved of its obligations under this Agreement.
5 Termination of this Agreement due to breach shall not limit the rights of
6 the City in seeking any other legal relief including the recovery of damages.

7 X. ENTIRE AGREEMENT

8 This Agreement contains the entire understanding between the
9 Parties, and all prior agreements or understandings are hereby merged herein
10 and shall be of no further force and effect.

11 IN WITNESS WHEREOF, the parties of these presents have executed this
12 Agreement in three counterparts, each of which shall be deemed an original
13 in the year and day first written above.

14 REVIEWED AND RECOMMENDED FOR APPROVAL

COUNTY OF FRESNO

15 
16 _____
17 Director, Public Works & Development
Services Department

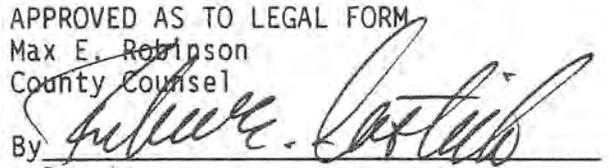
DERAN KOLIGIAN
Chairman, Board of Supervisors
APR 09 1991

18 APPROVED AS TO ACCOUNTING FORM

ATTEST: Shari Greenwood, Clerk
Board of Supervisors

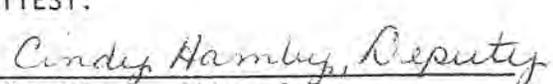
19 
20 _____
21 Auditor-Controller/Treasurer
ASST. AUDITOR-CONTROLLER/TREASURER

Deputy

22 APPROVED AS TO LEGAL FORM
23 Max E. Robinson
County Counsel
24 By 
Deputy

CITY OF FRESNO


Mayor

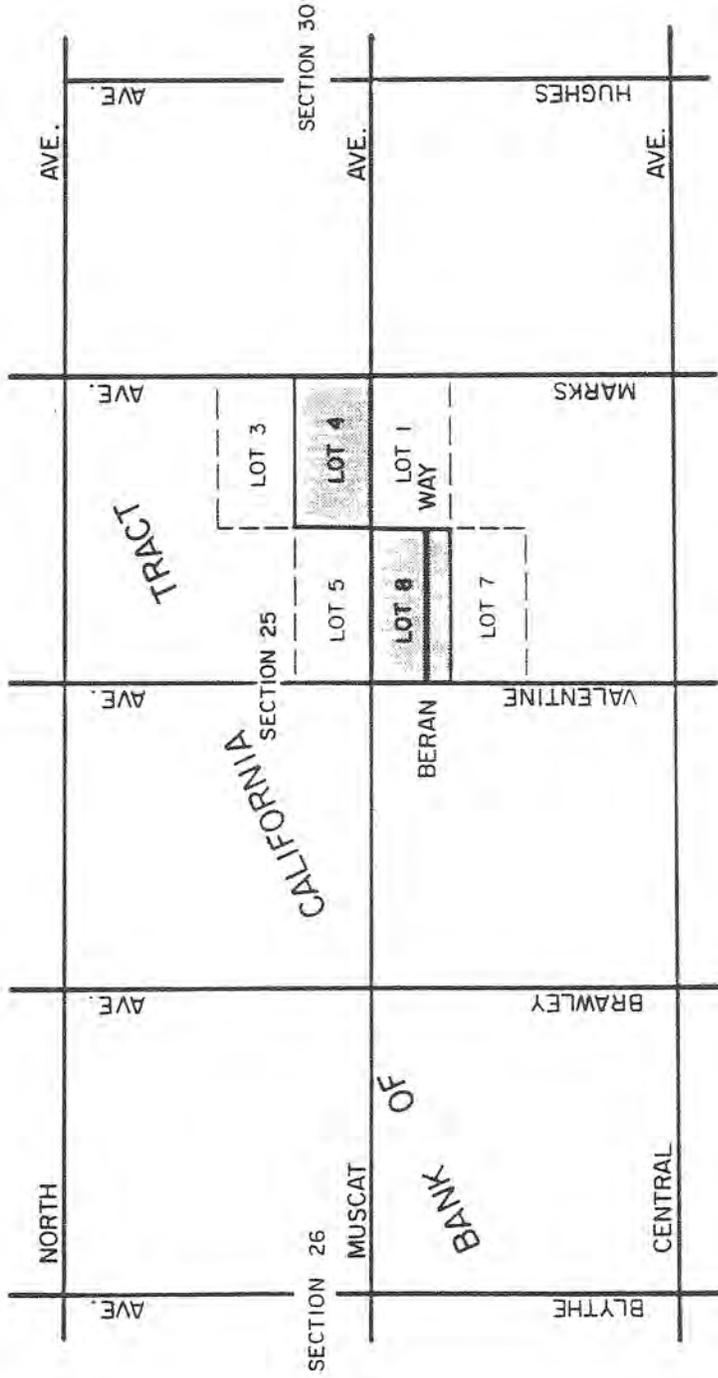
ATTEST:

Cindy Hamby, Deputy
City Clerk, City of Fresno

26 BUDGET ACCOUNT NO: 5512
27 (account to be established when
grant is approved)

28 NDH:mc
1040e-57
2/04/91



City Attorney



LEGEND
 PROPOSED ZONE

T14S., R.19E.
T14S., R.20E.

Sheet No. 1
of 3 Sheets

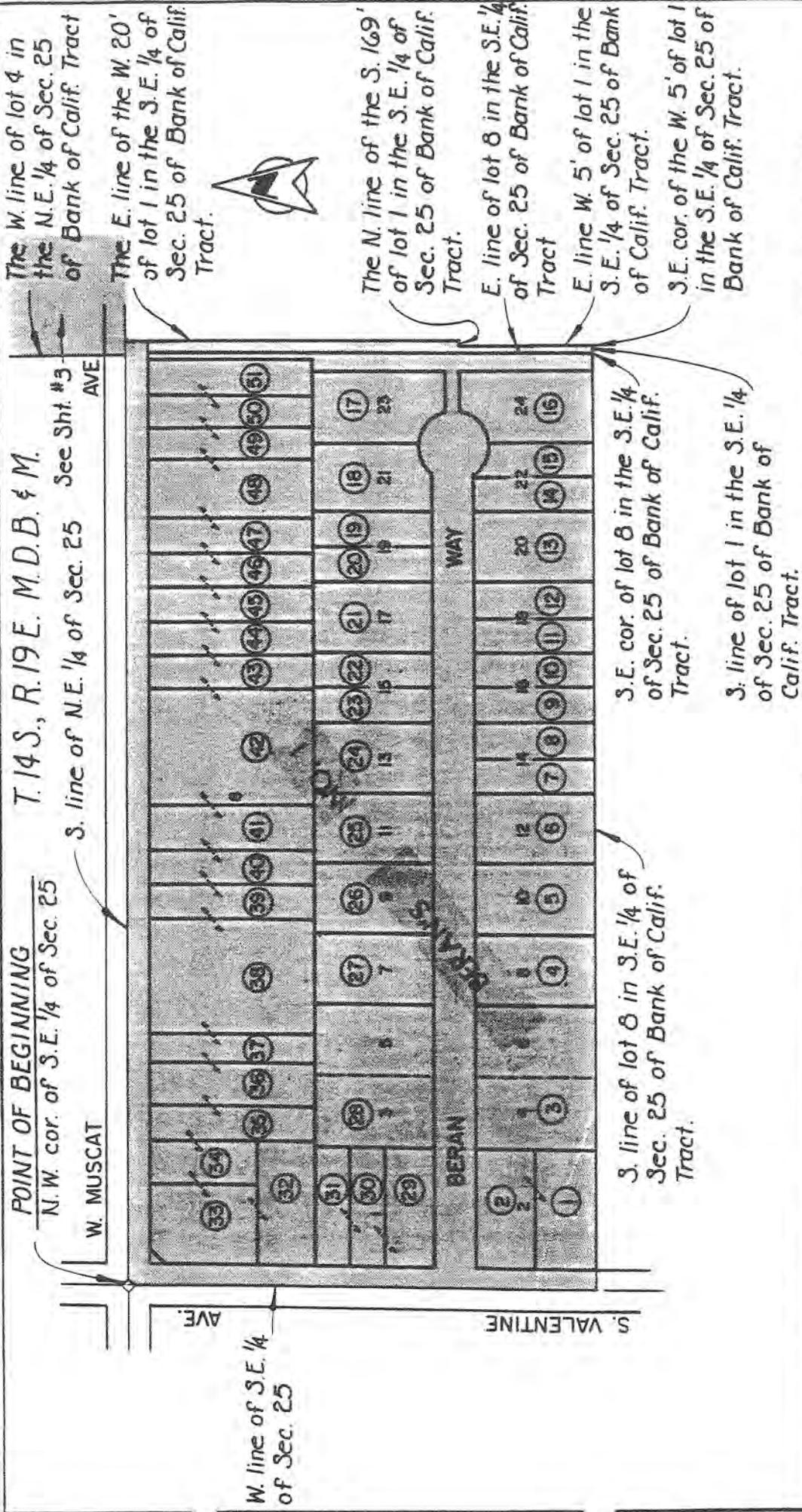
COUNTY SERVICE AREA NO. 39
ZONE 'A'

County of **FRESNO**
PUBLIC WORKS & DEVELOPMENT SERVICES
DEPARTMENT

SCALE
None
DRAWING NO.

DATE
9-89

DRAWN J.C.
CHECKED J.S.



The W. line of lot 4 in the N.E. 1/4 of Sec. 25 of Bank of Calif. Tract

The E. line of the W. 20' of lot 1 in the S.E. 1/4 of Sec. 25 of Bank of Calif. Tract.



The N. line of the S. 169' of lot 1 in the S.E. 1/4 of Sec. 25 of Bank of Calif. Tract.

E. line of lot 8 in the S.E. 1/4 of Sec. 25 of Bank of Calif. Tract

E. line W. 5' of lot 1 in the S.E. 1/4 of Sec. 25 of Bank of Calif. Tract.

S.E. cor. of the W. 5' of lot 1 in the S.E. 1/4 of Sec. 25 of Bank of Calif. Tract.

POINT OF BEGINNING
N.W. cor. of S.E. 1/4 of Sec. 25
W. MUSCAT AVE
T. 14 S., R. 19 E. M.D.B. & M.
S. line of N.E. 1/4 of Sec. 25 See Sht. #3

W. line of S.E. 1/4 of Sec. 25

S.E. cor. of lot 8 in the S.E. 1/4 of Sec. 25 of Bank of Calif. Tract.

S. line of lot 1 in the S.E. 1/4 of Sec. 25 of Bank of Calif. Tract.

S. line of lot 8 in S.E. 1/4 of Sec. 25 of Bank of Calif. Tract.

Sheet No. 2
1 3

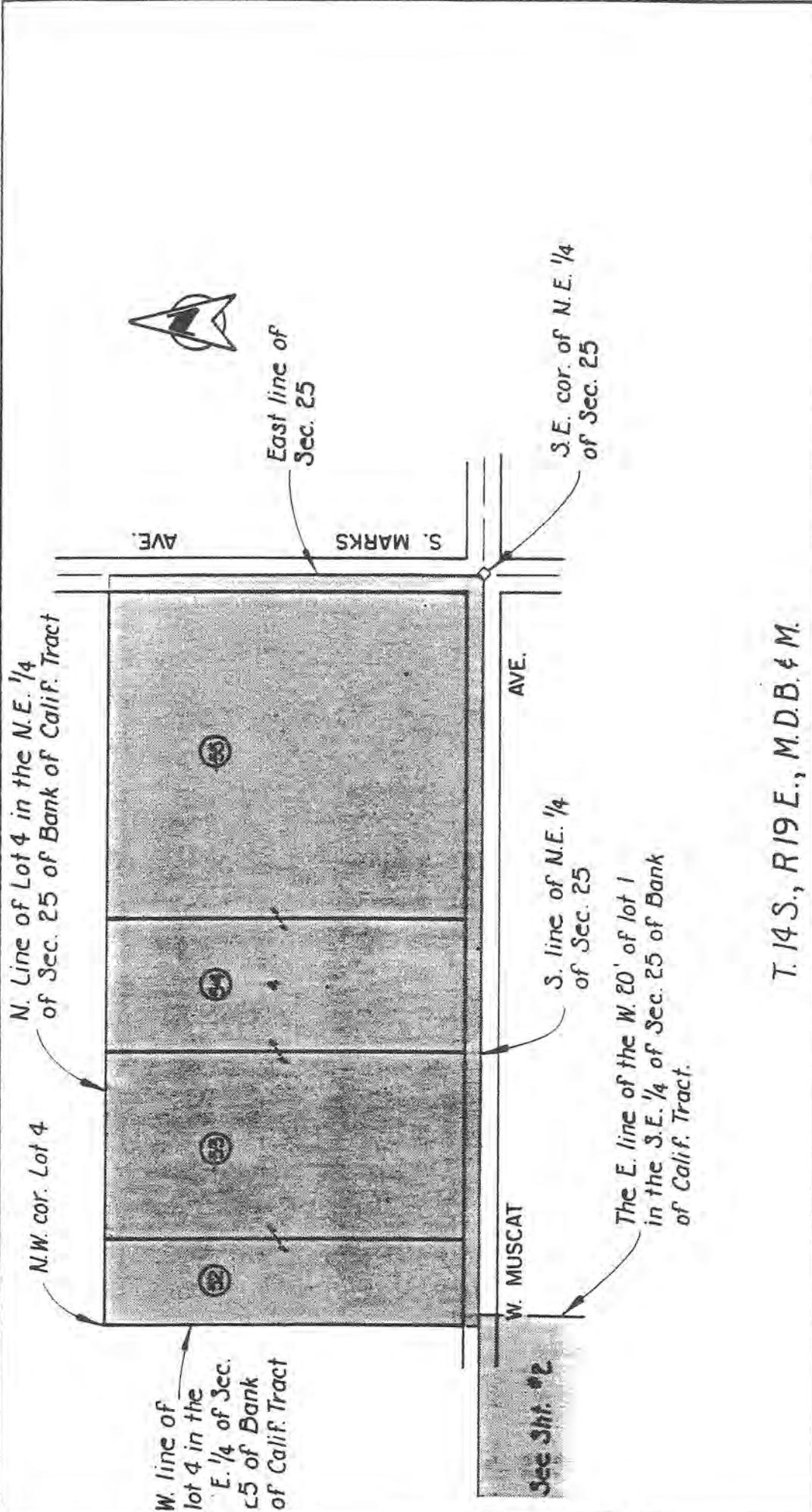
COUNTY SERVICE AREA NO. 39
ZONE 'A'

County of FRESNO
PUBLIC WORKS & DEVELOPMENT SERVICES DEPARTMENT

SCALE None
DRAWING NO.

DATE 9-89
9-89

DRAWN J.C.
CHECKED J.S.



T. 14 S., R. 19 E., M.D.B. & M.

COUNTY SERVICE AREA NO. 39
ZONE 'A'

County of **FRESNO**
PUBLIC WORKS & DEVELOPMENT SERVICES
DEPARTMENT

DATE	SCALE
9-89	None
9-89	DRAWING NO.

DRAWN J.C.
CHECKED J.S.

COUNTY SERVICE AREA NO. 39
ZONE A
(Beran Way)

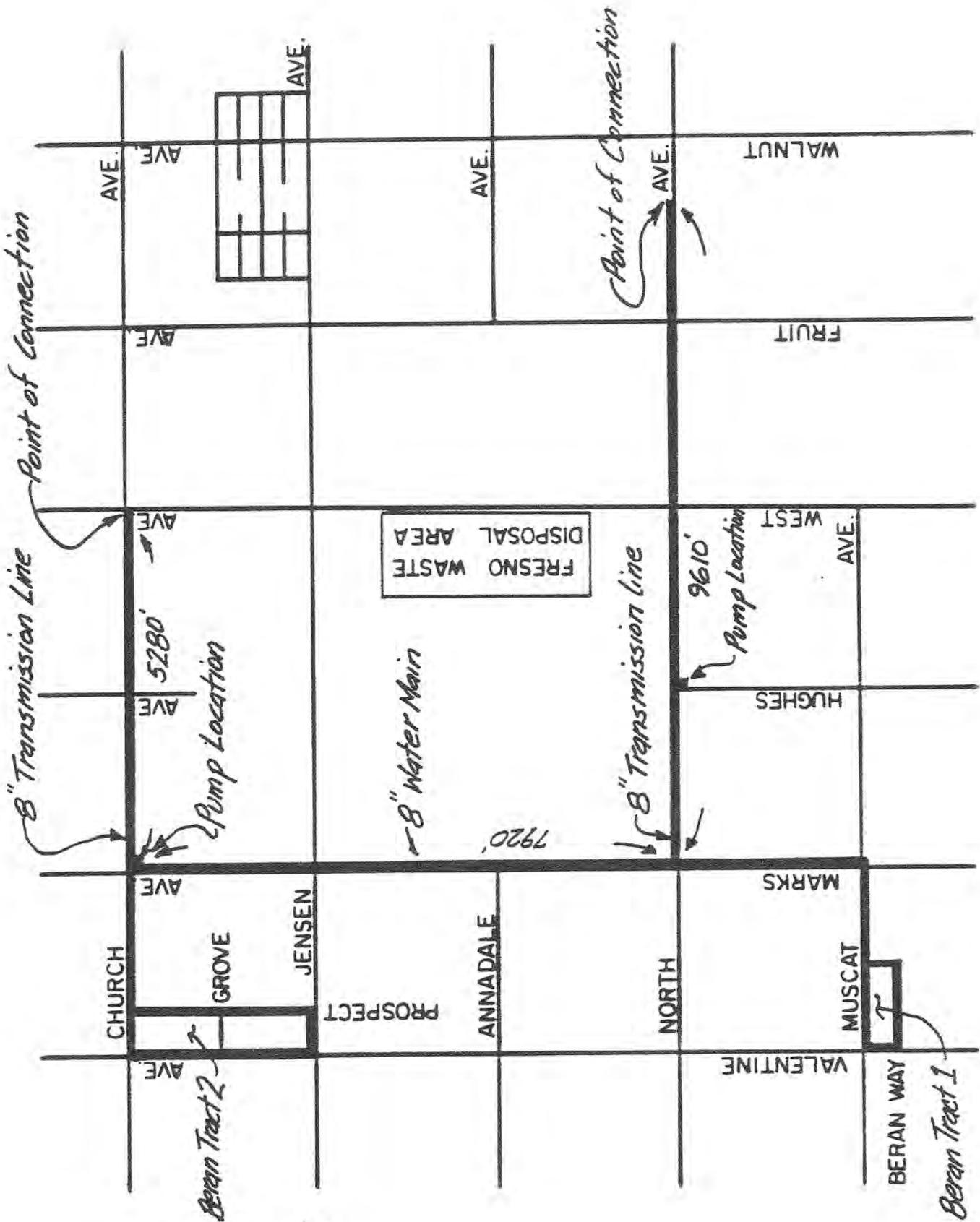
LEGAL DESCRIPTION

That portion of northeast quarter and southeast quarter of Section 25, Township 14 South, Range 19 East, Mount Diablo Base and Meridian, described as follows:

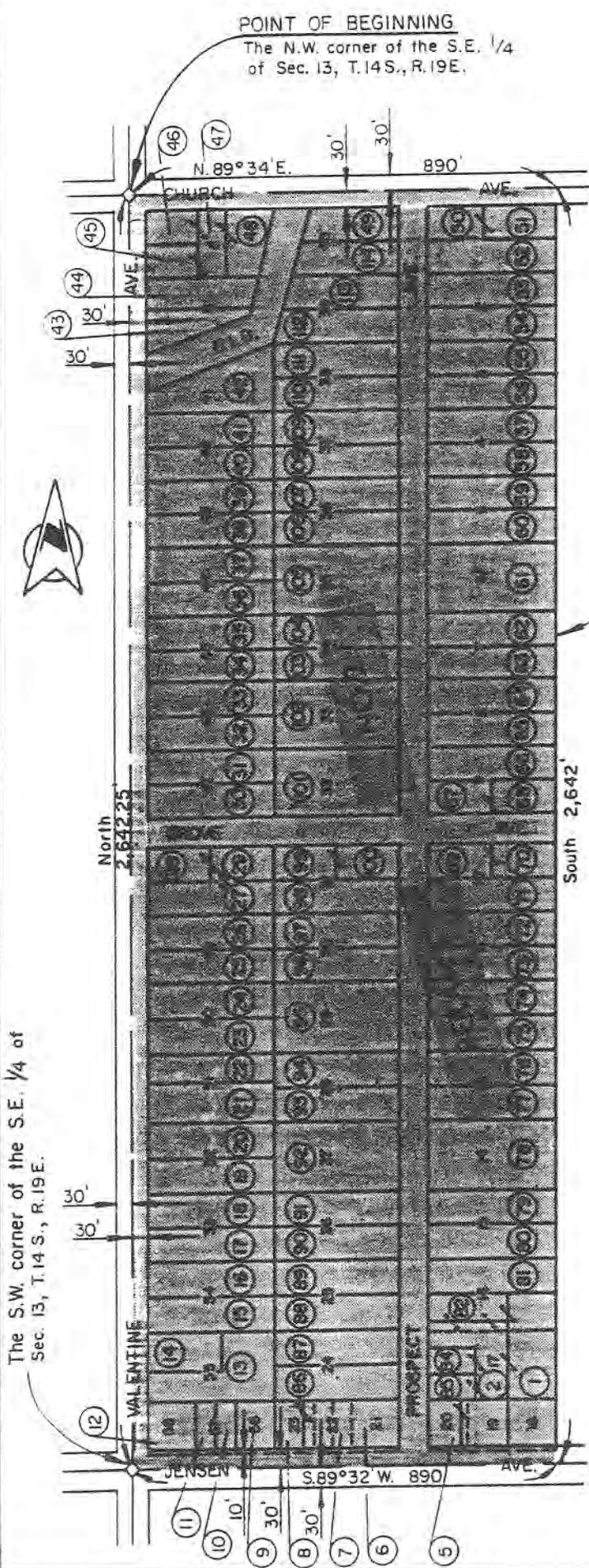
Beginning at the northwest corner of the southeast quarter of said Section 25; thence,

- (1) Southerly, along the west line of said southeast quarter, to the westerly extension of the south line of Lot 8 in the southeast quarter of Section 25 of Bank of California Tract, according to the map thereof, recorded November 14, 1883 in Book 2, page 14 of Plats, Fresno County Records; thence,
- (2) Easterly, along said extension and along said south line of said Lot 8 to the southeast corner of said Lot 8; thence,
- (3) Easterly, along the south line of Lot 1 in the southeast quarter of Section 25 of said tract, to the southeast corner of the west 5 feet of said Lot 1; thence,
- (4) Northerly, along the east line of said west 5 feet, 169 feet to the north line of the south 169 feet of said Lot 1; thence,
- (5) Easterly, along the north line of said south 169 feet, 15 feet to the east line of the west 20 feet of said Lot 1; thence,
- (6) Northerly, along said east line of the west 20 feet, to the north line of said southeast quarter of said Section 25; thence,
- (7) Easterly, along said north line of said southeast quarter, to the southeast corner of the northeast quarter of said Section 25, thence,
- (8) Northerly, along the east line of said Section 25, to the easterly extension of the north line of Lot 4 in the northeast quarter of said Section 25 of Bank of California Tract; thence,
- (9) Westerly, along said easterly extension and the north line of said Lot 4, to the northwest corner of said Lot 4 in the northeast quarter of said Section 25; thence,
- (10) Southerly, along the west line of said Lot 4 and the southerly extension thereof, to the south line of said northeast quarter of said Section 25; thence,
- (11) Westerly, along said south line, to the point of beginning.

Containing an area 42.456 acres, more or less.



Scale
1" = 2000'



LEGEND

- PROPOSED ZONE
- 3 LOT NUMBER
- ③ I.D. NUMBER

DRAWN J.C. CHECKED J.S.	DATE 8-89 8-89	SCALE None DRAWING NO.	County of FRESNO PUBLIC WORKS & DEVELOPMENT SERVICES DEPARTMENT	COUNTY SERVICE AREA NO. 39 ZONE 'B'	Sheet No. 1 of 1 Sheets
----------------------------	----------------------	------------------------------	--	--	----------------------------

COUNTY SERVICE AREA NO. 39

ZONE B
(Beran Tract #2)

LEGAL DESCRIPTION

The west 890 feet of the southeast quarter of Section 13, Township 14 South, Range 19 East, Mount Diablo Base and Meridian, described as follows:

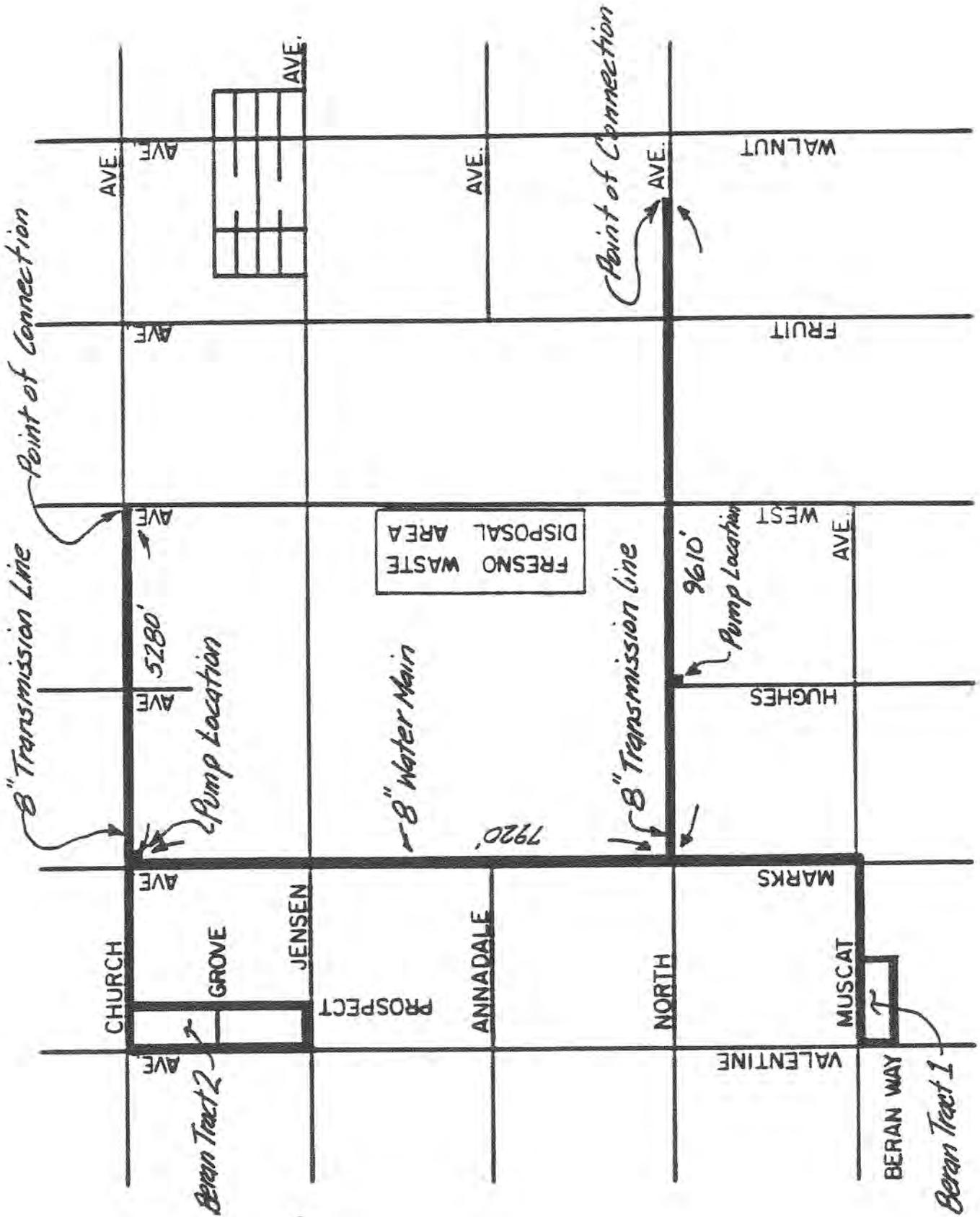
Beginning at the northwest corner of the southeast quarter of the said Section 13; thence,

1. N 89° 34' E, along the north line of said southeast quarter of said section 13, to the northeast corner of said west 890 feet; thence,
2. South, along the east line of said west 890 feet, a distance of 2642 feet to the south line of said section 13; thence,
3. S 89° 32' W, along said south line, 890 feet to the southwest corner of said southeast quarter; thence,
4. North, along the west line of said southeast quarter, 2642.25 feet to the point of beginning.

Containing an area of 53.985 acres, more or less.

Revised 9-21-89
Revised 9-22-89

0811D-89



N
 Scale
 1" = 2000'

ENVIRONMENTAL PACKAGE (PLANNING)

Applicant (Entity) Name: County of Fresno	
Project Title: CSA 39AB Request for Additional Connections	Project Number:
Contact Person: Amina Flores-Becker	Phone: ()559-600-4259

I. California Environmental Quality Act (CEQA) Status

1. Has a CEQA document been completed which identifies any portion of the planning project?

NOTE: All funded projects must be circulated at the Office of Planning and Research, State Clearinghouse (OPR)

Yes - Document name: _____
 Lead agency approval date: _____
 State Clearinghouse Number: _____

Attach a copy of the Notice of Exemption (label as Attachment E1).

No

2. Has a CEQA lead agency been identified for the planning project?

NOTE: If the applicant is a public agency, then they are their own CEQA lead agency and must file a Notice of Exemption stating the water system will be utilizing State Revolving Funds to conduct a planning study.

Yes - CEQA lead agency: County of Fresno

Attach a copy of the Notice of Exemption that was filed at OPR and the County (label as Attachment E1).

The following exemptions can be applied to planning / feasibility studies:

- Statutory Exemption (no ground disturbing activities)
 Feasibility and Planning Studies (CCR, Title 14, Article 18, Section 15262)
- Categorical Exemption (if project includes pilot studies, test wells, grading, boreholes, etc.)
 Class 6, Information Collection (CCR, title 14, Article 19, Section 15306)

NOTE: This exemption class may need further evaluation if the planning project is located in an area where the project could result in impacts to an environmental resource of hazardous or critical concern.

No - For private, mutual and investor-owned utilities, the State Water Board may be the CEQA Lead Agency and will file a Notice of Exemption to conduct a planning study.

II. General Information

1. Describe any grading, excavation, pilot wells, or other ground-breaking activities that may be a part of the planning project. Include a parcel or project schematic map (label as **Attachment E2**).

N/A during Planning

2. List and describe any other related permits and/or other public approvals required including those requiring local or state approvals.

N/A during Planning

3. Is the project located in an area designated as:

- | | Yes | No | |
|----|--------------------------|-------------------------------------|---|
| a. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | Critical habitat for special status species |
| b. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | Critical habitat for an endangered species |
| c. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | Unique habitat (<i>e.g., wildlife refuge, deer wintering range</i>) |
| d. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | Important farmland |
| e. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | Wetlands |
| f. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | Wild and scenic rivers |
| g. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | Officially designated scenic area |
| h. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | Archeological sites |
| i. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | Floodplains |
| j. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | Hazardous Waste and Substances Site |

Explain:

N/A

4. Unusual Circumstances: Evaluate the following elements to determine if there are any unusual circumstances. For any "Yes" answers discuss the possibility of significant environmental impact resulting from the unusual circumstance. Use attachments if necessary, or reference any attached documents (label as **Attachment E3**).

- | | Yes | No | |
|----|--------------------------|-------------------------------------|---|
| a. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | In an area of undisturbed, unique, or high-quality habitat |
| b. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | On or adjacent to wildlife migration routes |
| c. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | In an area of unique recreational facilities or resources |
| d. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | On or adjacent to a unique stream or water body |
| e. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | Involves removal of mature, scenic trees |
| f. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | Involves grading in a waterway or wetland |
| g. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | Involves a substantial alteration of ground contours |
| h. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | Involves new or increased use of a critically depleted groundwater basin or groundwater basin subject to salinity intrusion |
| i. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | In an area with important mineral resources |
| j. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | Involves production of significant amounts of solid wastes or litter |
| k. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | Involves substantial new or increased emission of dust, ash, smoke, fumes, odors, or other pollutants |
| l. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | Involves substantial change in noise or vibration levels in vicinity (beyond the property line) |
| m. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | In an area of sensitive noise receptors |
| n. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | On slopes of 10 percent or more or on highly erodible soil |
| o. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | In an officially mapped area of severe geologic hazard |
| p. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | Involves new or increased use or disposal of hazardous materials, flammables, or explosives |
| q. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | Involves substantial change in demand for municipal services |
| r. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | Involves traffic impacts in an area with traffic problems |
| s. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | Involves substantial increase in fuel consumption (electricity, oil, natural gas, etc.) |
| t. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | On United States Forest Service land |

Explain:

Attachment Checklist

Check the box next to each item attached to your application.

- E1 – CEQA Document (if applicable)
- E2 – Parcel or Project Schematic Map
- E3 – Unusual Circumstances (if applicable)