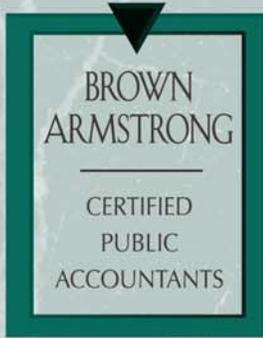


**FRESNO COUNTY ZOO AUTHORITY
FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORT**

For the Year Ended June 30, 2018

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	9
Statement of Activities.....	10
Fund Financial Statements:	
Balance Sheet – Governmental Fund.....	11
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund....	12
Statement of Fiduciary Net Position – Private-Purpose Trust Fund	13
Statement of Changes in Fiduciary Net Position – Private-Purpose Trust Fund.....	14
Notes to the Financial Statements.....	16
REQUIRED SUPPLEMENTARY INFORMATION (Other than MD&A):	
Budgetary Comparison Schedule – General Fund.....	24
Note to Budgetary Comparison Schedule – General Fund.....	25
OTHER AUDITOR'S REPORT:	
Report on Internal Control over Financial Reporting an on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29



BROWN ARMSTRONG

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Fresno County Zoo Authority
Fresno, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of the Fresno County Zoo Authority (the Authority), as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the Authority'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 Authority'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 Authority'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

FRESNO OFFICE

10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

LAGUNA HILLS OFFICE

23272 MILL CREEK DRIVE
SUITE 255
LAGUNA HILLS, CA 92653
TEL 949.652.5422

STOCKTON OFFICE

1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund, and the aggregate remaining fund information of the Authority, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2018, on our consideration of Authority'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 Authority's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 21, 2018

FRESNO COUNTY ZOO AUTHORITY
Management's Discussion and Analysis
For the Year Ended June 30, 2018

This section of the Fresno County Zoo Authority (Authority) financial report presents a discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2018. Please read the information contained in this discussion and analysis in conjunction with the Authority's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Authority exceeded liabilities and deferred inflows of resources (referred to as net position) at the end of the 2017-2018 fiscal year by \$1,594,760. This amount is considered restricted net position.
- Liabilities of the Authority totaled \$25,078 at June 30, 2018. This amount primarily consists of expenses related to professional and specialized services provided by the County of Fresno.
- The Authority's total net position increased by \$185,682 during fiscal year 2017-2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of three components: 1) **Government-wide** financial statements; 2) **Fund** financial statements, and 3) **Notes** to the basic financial statements. Required Supplementary Information (RSI) is included in addition to the basic financial statements.

Government-wide Financial Statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. Therefore, the statements are reported using the accrual basis of accounting. Please refer to Note 1, for further information on the accrual basis of accounting.

The *statement of net position* presents information on all of the Authority's assets and deferred outflows of resources, along with its liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the Authority that are principally supported by intergovernmental revenues and sales taxes (*governmental activities*) from other functions that are intended to recover all, or a portion, of their costs through user fees and charges (*business-type activities*). The governmental activities of the Authority are general government activities only. During the fiscal year reported, the Authority did not have any business-type activities.

The government-wide financial statements can be found on pages 9-10 of this report.

Fund Financial Statements are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal compliance. The fund financial statements are reported using the modified accrual basis of accounting, which was designed to reflect budgetary processes used by governments. See Note 1-C for further

information regarding the modified accrual basis of accounting. The Authority's funds can be divided into two categories: governmental funds (general fund) and fiduciary funds (private-purpose trust fund).

Statement of Net Position (condensed)

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Assets:		
Current assets	\$ 1,619,838	\$ 1,431,048
Total assets	<u>\$ 1,619,838</u>	<u>\$ 1,431,048</u>
Liabilities:		
Current liabilities	\$ 25,078	\$ 21,970
Total liabilities	<u>\$ 25,078</u>	<u>\$ 21,970</u>
Net position:		
Restricted	\$ 1,594,760	\$ 1,409,078
Total net position	<u>\$ 1,594,760</u>	<u>\$ 1,409,078</u>

Statement of Activities (condensed)

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Revenues:		
General revenues	\$ 326,477	\$ 279,536
Total revenues	<u>\$ 326,477</u>	<u>\$ 279,536</u>
Expenses:		
Governmental activities	\$ 140,795	\$ 206,571
Total expenses	<u>\$ 140,795</u>	<u>\$ 206,571</u>
Net position beginning	\$ 1,409,078	\$ 1,336,113
Change in net position	185,682	72,965
Net position ending	<u>\$ 1,594,760</u>	<u>\$ 1,409,078</u>

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Authority's near-term financing requirements.

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

governmental funds and governmental activities. The Authority's General Fund budgetary comparison schedule is presented in RSI. The Authority adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule is thus provided for the General Fund to demonstrate compliance with this budget.

The Authority reports one individual major governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance.

The governmental fund financial statements can be found on pages 11-12 of this report.

Fiduciary funds are used to account for resources held by the Authority in a trustee or agency capacity for others (i.e., Fresno Chaffee Zoo). Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Authority's own programs. The type of fiduciary fund used by the Authority can be further classified as a *private-purpose trust fund*. There are two basic financial statements used to report information on fiduciary funds: the statement of fiduciary net position (required for all fiduciary funds) and the statement of changes in fiduciary net position (required for all fiduciary funds except agency funds).

The fiduciary fund financial statements can be found on pages 13-14 of this report.

Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 16-22 of this report.

Required Supplementary Information is presented for the budgetary comparison schedule of the General Fund, which is presented immediately following the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,594,760 at the close of fiscal year 2017-2018. The Authority has no investments in capital assets.

Governmental activities: Governmental activities increased the Authority's net position by \$185,682 during fiscal year 2017-2018. The key element of this increase relates to sales tax revenue exceeding total expenditures by \$159,897.

FINANCIAL ANALYSIS OF THE AUTHORITY FUNDS

As noted earlier, the Authority uses **fund accounting** to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The general government functions are contained in the General Fund. The focus of the Authority's governmental fund is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Authority's financing requirements.

At June 30, 2018, the Authority's governmental fund reported a fund balance of \$1,594,760, an increase of \$185,682 in comparing to the balance of \$1,409,078 reported at June 30, 2017.

Revenues for the governmental fund totaled \$326,477 in fiscal year 2017-2018. Revenue was primarily comprised from Measure Z sales tax (92%). The remaining 8% was interest.

Expenditures for governmental funds totaled \$140,795 in fiscal year 2017-2018.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the 2017-2018 fiscal year, actual revenues were above those estimated in the final budget by \$47,076 due to a net increase in sales tax revenue. Actual expenditures were below current year budgeted amounts by \$69,124. This difference in expenditures is primarily due to a greater use of encumbered, prior year expenditure for professional and specialized services, which incorporated into the overall, current year expenditures. Additional information regarding the encumbrance system can be found in the note to budgetary comparison schedule – general fund on page 25.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Fresno County Auditor-Controller's Office; 2281 Tulare Street, Fresno, California 93721.

THIS PAGE IS LEFT BLANK INTENTIONALLY.

BASIC FINANCIAL STATEMENTS

FRESNO COUNTY ZOO AUTHORITY
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities
ASSETS	
Cash and investments	1,551,011
Interest receivable	5,046
Due from other governments	63,781
Total assets	\$ 1,619,838
 LIABILITIES	
Accrued liabilities	25,078
Total liabilities	25,078
 NET POSITION	
Restricted	1,594,760
Total net position	\$ 1,594,760

The accompanying notes are an integral part of this statement.

**FRESNO COUNTY ZOO AUTHORITY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018**

Functions/Programs	<u>Expenses</u>	<u>Program Revenues - Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net Expenses and Changes in Net Position of Governmental Activities</u>
Governmental activities-				
General government	\$ 140,795	\$ -	\$ -	\$ (140,795)
Total	<u>\$ 140,795</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (140,795)</u>

General revenues:

Sales tax	300,692
Interest	25,785
Total general revenues	<u>326,477</u>
Change in net position	<u>185,682</u>
Net position - beginning	<u>1,409,078</u>
Net position - ending	<u>\$ 1,594,760</u>

The accompanying notes are an integral part of this statement.

**FRESNO COUNTY ZOO AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2018**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>General Fund</u>
Cash and investments	\$ 1,551,011
Interest receivable	5,046
Due from other governments	63,781
Total assets	<u>1,619,838</u>
Deferred outflows of resources	-
Total assets & deferred outflows of resources	<u>\$ 1,619,838</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
Liabilities:	
Accrued liabilities	<u>\$ 25,078</u>
Total liabilities	<u>25,078</u>
Deferred inflows of resources	<u>-</u>
Fund balance:	
Restricted	<u>1,594,760</u>
Total fund balance	<u>1,594,760</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 1,619,838</u>

Reconciliation of the Balance Sheet to the Statement of Net Position

Total fund balance - governmental fund	\$ 1,594,760
Differences	<u>-</u>
Net position - governmental activities	<u>\$ 1,594,760</u>

The accompanying notes are an integral part of this statement.

**FRESNO COUNTY ZOO AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
For the Year Ended June 30, 2018**

REVENUES	<u>General Fund</u>
Measure Z sales tax	\$ 300,692
Interest	<u>25,785</u>
Total revenues	<u>326,477</u>
EXPENDITURES	
Current:	
Office expense	3,417
Postage	361
PeopleSoft charges	874
Professional and specialized services	<u>136,143</u>
Total expenditures	<u>140,795</u>
 Excess of revenues over expenditures	 <u>185,682</u>
 Net change in fund balance	 185,682
FUND BALANCE	
 Fund balance - beginning	 <u>1,409,078</u>
 Fund balance - ending	 <u><u>\$ 1,594,760</u></u>
Reconciliation of the Statement of Revenues, Expenditures, and Fund Balance to the Statement of Activities	
 Net change in fund balance - governmental fund	 \$ 185,682
 Differences	 <u>-</u>
 Change in net position - governmental activities	 <u><u>\$ 185,682</u></u>

The accompanying notes are an integral part of this statement.

**FRESNO COUNTY ZOO AUTHORITY
STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUND
June 30, 2018**

	<u>Operations</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 6,325,142	\$ 32,039,802	\$ 38,364,944
Due from other governments	1,041,733	2,083,466	3,125,199
Interest receivable	29,428	143,553	172,981
	<u>7,396,303</u>	<u>34,266,821</u>	<u>41,663,124</u>
Total assets	<u>\$ 7,396,303</u>	<u>\$ 34,266,821</u>	<u>\$ 41,663,124</u>
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Held in trust for operations	7,396,303	-	7,396,303
Held in trust for capital projects	<u>-</u>	<u>34,266,821</u>	<u>34,266,821</u>
	<u>7,396,303</u>	<u>34,266,821</u>	<u>41,663,124</u>
Total net position	<u>\$ 7,396,303</u>	<u>\$ 34,266,821</u>	<u>\$ 41,663,124</u>

The accompanying notes are an integral part of this statement.

FRESNO COUNTY ZOO AUTHORITY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUND
For the Year Ended June 30, 2018

	<u>Operations</u>	<u>Capital Projects</u>	<u>Total</u>
ADDITIONS			
Measure Z Sales tax	\$ 4,911,295	\$ 9,822,591	\$ 14,733,886
Interest	108,631	499,549	608,180
Total additions	<u>5,019,926</u>	<u>10,322,140</u>	<u>15,342,066</u>
DEDUCTIONS			
Disbursements to non-profit	<u>4,456,566</u>	<u>3,546,390</u>	<u>8,002,956</u>
Total deductions	<u>4,456,566</u>	<u>3,546,390</u>	<u>8,002,956</u>
Change in net position	563,360	6,775,750	7,339,110
Net position held in trust - beginning	<u>6,832,943</u>	<u>27,491,071</u>	<u>34,324,014</u>
Net position held in trust - ending	<u><u>\$ 7,396,303</u></u>	<u><u>\$ 34,266,821</u></u>	<u><u>\$ 41,663,124</u></u>

The accompanying notes are an integral part of this statement.

THIS PAGE IS LEFT BLANK INTENTIONALLY.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Fresno County Zoo Authority (Authority) was created by the approval of Measure Z by the voters of Fresno County (County) in November 2004. Measure Z authorized the imposition of a 0.1% sales and use tax (the sales tax) in the County for 10 years. The Authority may spend up to 2% of the revenue for its own administrative expenses. The remaining 98% of the revenue must be used exclusively for the support of zoos, zoological facilities, and related zoological purposes within the County. Of this 98%, at least 2/3 must be spent on capital improvement projects, and up to 1/3 may be spent on operations and maintenance of the facilities. The 0.1% sales tax commenced April 1, 2005, expired on April 30, 2015, and on November 4, 2014, the measure was approved by the voters for an additional ten years.

The basic financial statements of the Authority include all of its financial activities. The Authority is the sole independent agency responsible for administering Measure Z funds and is governed by a seven-member board consisting of six qualified electors (Fresno County voters) and the City of Fresno Mayor. The six qualified electors are appointed by the Fresno County Board of Supervisors.

B. Basis of Presentation

Government-wide Financial Statements

The statement of net position and the statement of activities report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Authority does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

The fund financial statements provide information about the Authority's individual funds including governmental and fiduciary funds. Separate statements for each fund category are presented. The balance sheet and statement of revenues, expenditures, and changes in fund balance focus on the presentation of the major governmental fund, the general fund. These two statements are used to report information regarding the Authority's own operations and programs (up to 2% of Measure Z sales tax revenue). The statement of fiduciary net position and the statement of changes in fiduciary net position provide information regarding the 98% of sales tax proceeds and related disbursements, which are exclusively restricted for the support of zoos, zoological facilities, and related zoological purposes within the County. Disbursements of Measure Z funds during fiscal year ended June 30, 2018, were made to the Fresno's Chaffee Zoo Corporation (the entity operating the Fresno Chaffee Zoo).

The Authority reports the following major governmental fund:

- The *general fund* is used to account for the revenue (up to 2% of Measure Z sales tax revenue) and expenditures necessary to carry out basic operating activities of the Authority. Activities of the general fund include professional and specialized services required for the administration of Measure Z funds.

The Authority reports the following fiduciary fund:

- The *Private-Purpose Trust Fund* is used to account for the portion of Measure Z sales tax proceeds (and related disbursements), exclusively restricted for the support of zoos, zoological facilities, and related zoological purposes within the County (no less than 98% of total Measure Z proceeds). During fiscal year ended June 30, 2018, disbursements of Measure Z funds were made to the Fresno's Chaffee Zoo Corporation (FCZC), which is the entity operating the Fresno Chaffee Zoo.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*.

Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under the accrual basis of accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due and payable.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position or Fund Balance

Cash and Investments

Investments for the Authority are reported at fair value.

Due from Other Governments

Due from other governments represent sales tax receipts in the months subsequent to the Authority's fiscal year-end relating to the prior year's sales activity. The Authority has contracted with the California State Board of Equalization for collection and distribution of the 0.1% sales tax. The Board of Equalization receives an administrative fee for providing this service. The Authority records sales tax revenues net of such fees.

Accrued Liabilities

The Authority has agreements with the County of Fresno, whereby the County provides legal, accounting and other professional and technical services. Accrued liabilities reported on the financial statements of the Authority primarily consist of professional and specialized services provided by the County of Fresno.

Net Position

The classification of net position into three components – net investment in capital assets, restricted, and unrestricted – is required by GASB Statement No. 34 (and subsequently GASB Statement No. 63). These classifications are defined as follows:

- Net Investment in Capital Assets – This category consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets.
- Restricted Net Position – This category consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislations.
- Unrestricted Net Position – This category represents funds which are undesignated and available for general operations.

Use of Management Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles 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 basic financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A reconciliation of the total fund balance for the governmental fund to the total net position of governmental activities has been prepared as part of the basic financial statements. However, no differences were reported between total fund balance and total net position for the fiscal year ended June 30, 2018.

A reconciliation of the total net change in fund balance for the governmental fund to the total changes in net position of governmental activities has been prepared as part of the basic financial statements. However, no differences were reported between total net change in fund balance and total changes in net position for the fiscal year ended June 30, 2018.

NOTE 3 – CASH, INVESTMENTS, AND DEPOSITS

The Authority, under contract, maintains specific cash deposits and investments with the Fresno County Auditor-Controller/Treasurer-Tax Collector, and participates in the common investment pool of the County. The County is restricted by State code in the types of investments in which it can engage.

NOTE 4 – BUDGET/DISBURSEMENTS

The Authority adopts an annual appropriated budget for its General Fund which is approved by its board. A budgetary comparison schedule is thus provided for the General Fund to demonstrate compliance with this budget.

Measure Z-funded line items of the Fresno Chaffee Zoo Corporation's (FCZC) operating and capital projects budgets for calendar years 2017 and 2018 were approved by the Authority's board. FCZC is the entity operating the Fresno Chaffee Zoo and functions separately from the Authority, operating on a calendar year basis (ending December 31). The Authority's oversight of FCZC extends only to the administration of Measure Z funds.

During fiscal year ended June 30, 2018, disbursements totaling \$8,002,956 were made to FCZC: \$4,456,566 for operations and \$3,546,390 for capital projects.

Undistributed sales tax revenue net of expenses incurred during the fiscal year are classified as "net position held in trust" in the statement of fiduciary net position. The balance reported at June 30, 2018, was as follows:

Held in Trust For:	
Operations	\$ 7,396,303
Capital projects	34,266,821
Total	\$ 41,663,124

NOTE 5 – LIABILITIES

Liabilities of the Authority totaled \$25,078 at June 30, 2018. This amount primarily consisted of expenses related to professional and specialized services provided by the County of Fresno.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6- FUND BALANCE

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the Authority is bound to honor constraints on how specific amounts can be spent.

- **Nonspendable-** Amounts that are not in spendable form (such as inventory) or are required either legally or contractually to be maintained intact.
- **Restricted-** Amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional or enabling legislation.
- **Committed-** Amounts constrained to specific purposes by the Authority itself, using the Authority's highest level of decision-making authority (the Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the Authority takes the same highest level action to remove or change the constraint. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned-** Amounts the Authority *intends* to use for a specific purpose. Intent can be expressed by the Authority at either the highest level of decision-making authority or by an official or body to which the Authority delegates the authority. This is also the classification for residual funds.
- **Unassigned-** The residual classification for the Authority's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Authority establishes and modifies or rescinds fund balance commitments by passage of an ordinance or policy. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget as a designation or commitment of the fund, such as approved construction contracts. Assigned fund balance is established by the Authority through adoption or amendment of the budget or future year budget plan as intended for a specific purpose.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, followed by the unrestricted, committed, assigned and unassigned resources as they are needed.

The Zoo Authority's general fund balance of \$1,594,760 is considered restricted. This is because the monies are derived from Measure Z and are required to be spent in a manner that is consistent with the limitations placed on its use.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – RECENTLY RELEASED STANDARDS BY GASB

During the fiscal year ending June 30, 2018, the Authority implemented the following standards:

GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other than Pension Plans*. The provisions of GASB Statement No. 75 are effective for financial statements beginning after June 15, 2017. The Authority has determined the implementation of GASB Statement No. 75 has no effect to the basic financial statements.

GASB Statement No. 81 - *Irrevocable Split-Interest Agreements*. The requirements of this statement are effective for periods beginning after December 15, 2016. The Authority has determined the implementation of GASB Statement No. 81 has no effect to the basic financial statements

GASB Statement No. 85 – *Omnibus 2017*. The requirements of this statement are effective for periods beginning after June 15, 2017. The Authority has determined the implementation of GASB Statement No. 85 has no effect to the basic financial statements

GASB Statement No. 86 – *Certain Debt Extinguishment Issues*. The requirements of this statement are effective for periods beginning after June 15, 2017. The Authority has determined the implementation of GASB Statement No. 86 has no effect to the basic financial statements

Recently released GASB standards affecting future years are as follows:

GASB Statement No. 83 – *Certain Asset Retirement Obligations*. The requirements of this statement are effective for periods beginning after June 15, 2018. The Authority has not fully judged the effect of the implementation of GASB Statement No. 83 as of the date of the basic financial statements.

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of this statement are effective for periods beginning after December 15, 2018. The Authority has not fully judged the effect of the implementation of GASB Statement No. 84 as of the date of the basic financial statements.

GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for periods beginning after December 15, 2019. The Authority has not fully judged the effect of the implementation of GASB Statement No. 87 as of the date of the basic financial statements.

GASB Statement No. 88 – *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The provisions of GASB Statement No. 88 are effective for financial statements beginning after June 15, 2018. The Authority has not fully judged the effect of the implementation of GASB Statement No. 88 as of the date of the basic financial statements.

GASB Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. The provisions of GASB Statement No. 89 are effective for financial statements beginning after December 15, 2019. The Authority has not fully judged the effect of the implementation of GASB Statement No. 89 as of the date of the basic financial statements.

GASB Statement No. 90 – *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The provisions of GASB Statement No. 90 are effective for financial statements beginning after December 15, 2018. The Authority has not fully judged the effect of the implementation of GASB Statement No. 90 as of the date of the basic financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – BUDGET OVER APPROPRIATIONS

Excess expenditures exceeded the budgeted amounts at June 30, 2018 as follows:

General Fund	
Peoplesoft	\$74

NOTE 9 – 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 basic financial statements. Events were considered through November 21, 2018, which is the date of issuance of the Authority’s independent audit report. The Authority identified no subsequent events that required disclosure.

REQUIRED SUPPLEMENTARY INFORMATION
(Other than MD&A)

**FRESNO COUNTY ZOO AUTHORITY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Resources:				
Sales tax	\$ 266,901	\$ 266,901	\$ 300,692	\$ 33,791
Interest	12,500	12,500	25,785	13,285
Total resources	\$ 279,401	\$ 279,401	\$ 326,477	\$ 47,076
Charges to appropriations:				
Current:				
Office expenses	\$ 6,000	\$ 6,000	\$ 3,417	\$ 2,583
Professional and specialized services	196,869	196,869	136,143	60,726
Postage	1,000	1,000	361	639
Data processing services	1,500	1,500	-	1,500
Memberships	500	500	-	500
Transportation, travel, and education	2,500	2,500	-	2,500
Publications and legal notices	500	500	-	500
Telephone	250	250	-	250
PeopleSoft Financials Charges	800	800	874	(74)
Contingencies	-	-	-	-
Total charges to appropriations	209,919	209,919	140,795	69,124
Change in net position	<u>\$ 69,482</u>	<u>\$ 69,482</u>	185,682	<u>\$ 116,200</u>
NET POSITION				
Net position - beginning			<u>1,409,078</u>	
Net position - ending			<u>\$ 1,594,760</u>	

The accompanying notes are an integral part of this schedule.

**NOTE TO BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

Budgets and Budgetary Data

The Authority adopts a legal annual operating budget for its general fund. All budget transfers and expenditures are approved by the Authority's Board of Directors or by the Authority Administrator prior to disbursement. The legal level of budgetary control is at the object level. The final budget revenue and expenditure amounts represent the original budget modified by any amendments and adjustments that have occurred during the year. The Authority uses an encumbrance system as an extension of normal budgetary accounting. Under the encumbrance system, the expenditure of monies is encumbered in order to reserve that portion of applicable appropriations. Encumbrances are combined with expenditures for budgetary comparison purposes. Unencumbered appropriations lapse at year-end; encumbered appropriations at year-end are carried forward in the ensuing new fiscal year's budget, but are kept separate from the new fiscal year's budget. The encumbrances are reported as prior budget year appropriations on all financial reports, but are available for expenditure in the new fiscal year.

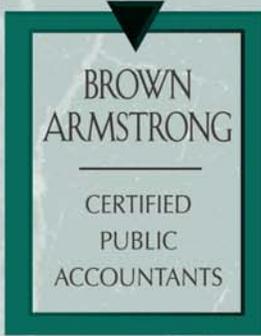
A budgetary comparison schedule for the general fund is presented on Page 24. Its purpose is to demonstrate compliance with the approved budget for fiscal year 2017-2018. Actual expenditures appearing on the schedule are presented using the accrual basis of accounting.

For fiscal year 2017-2018, \$85 of encumbered fiscal year 2016-2017 appropriations were expended in addition to \$140,710 in current appropriations for a total of \$140,795 in charges to appropriations.

THIS PAGE IS LEFT BLANK INTENTIONALLY

OTHER AUDITOR'S REPORT

THIS PAGE IS LEFT BLANK INTENTIONALLY



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 Directors
Fresno County Zoo Authority
Fresno, California

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 governmental activities, the general fund, and the aggregate remaining fund information of Fresno County Zoo Authority (the Authority), as of and for the year ended June 30, 2018, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 21, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 entity'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. 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.

BAKERSFIELD OFFICE (MAIN OFFICE)

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

FRESNO OFFICE

10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

LAGUNA HILLS OFFICE

23272 MILL CREEK DRIVE
SUITE 255
LAGUNA HILLS, CA 92653
TEL 949.652.5422

STOCKTON OFFICE

1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 Authority'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 Authority'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
November 21, 2018