

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Shasta Mosquito and Vector Control District
Cottonwood, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Shasta Mosquito and Vector Control District (District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2012, on our consideration of the District'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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 9 and 31 through 32 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.

March 20, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

As management of the Shasta Mosquito and Vector Control District ("District"), we offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities during the fiscal year ending June 30, 2011. Please read it in conjunction with the District's financial statements and accompanying notes to those financial statements.

BACKGROUND

The Shasta Mosquito and Vector Control District is a special district, originally started as the Redding Mosquito Abatement District in 1919; they quickly joined the forces of other local mosquito abatement districts and formed the Shasta Mosquito Abatement District in the 1950s. After several annexations, the Shasta Mosquito Abatement District expanded to a full vector control district; changing the District name to Shasta Mosquito and Vector Control District in 1994. Currently, the District comprises approximately 1,086 square miles in Shasta County and provides Mosquito and Vector Control to, Redding, Anderson, Shasta Lake City and many towns in unincorporated Shasta County. The District's Mission is: "To protect the public's health from vector-borne disease and nuisance, through a comprehensive mosquito and vector control program focused on innovation, experience and efficiency."

FINANCIAL HIGHLIGHTS

- The assets of the Shasta Mosquito and Vector Control District exceeded its liabilities at the close of the Fiscal Year (FY) 2010-2011 by \$4,393,931. Of this amount, \$3,522,128 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$29,852.
- At the end of the FY 2010-2011, unassigned fund balance for the general fund was \$1,566,366 or 65.8% percent of the total general fund expenditures.
- Revenues decreased by \$147,688, expenses increased by \$169,335 as compared to last year.

OVERVIEW OF THIS ANNUAL REPORT

This annual report includes the Independent Auditor's Report, Management's Discussion and Analysis, and the Financial Statements of the District. The financial statements are comprised of: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the financial statements.

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

INTRODUCTION TO THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's audited financial statements, which are comprised of the basic financial statements. This annual report is prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for States and Local Governments. The Single Governmental Program for Special Purpose Governments reporting model is used which best represents the activities of the District. The Statement of Net Assets presents the financial position of the District on a full accrual historical cost basis and provides information about the nature and amount of resources and obligations at year-end.

The required financial statements include the Government-wide and Fund Financial Statements; Statement of Net Assets and Governmental Fund Balance Sheet; Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances, and the Statement of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual-All Government Fund Types.

These statements are supported by notes to the basic financial statements. All sections must be considered together to obtain a complete understanding of the financial picture of the District.

THE BASIC FINANCIAL STATEMENTS

The Basic Financial Statements comprise the Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the District's financial activities and financial position.

The Government-wide Financial Statements provide a longer-term view of the District's activities as a whole, and comprise the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of the District as a whole, including all of its capital assets and long-term liabilities, similar to that used by corporations. The Statement of Activities provides information about all of the District's revenues and all of its expenses, with the emphasis on measuring net revenues or expenses of the District's programs. The Statement of Activities explains in detail the change in Net Assets for the year.

All of the District's activities are grouped into Governmental Activities, as explained below.

The Fund Financial Statements report the District's operations in more detail than the Government-wide statements and focus primarily on the short-term activities of the District's General Fund and other Major Funds. Major Funds account for the major financial activities of the District and are presented individually. Major Funds are explained below.

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

THE GOVERNMENT - WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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 only result in cash flows in future fiscal periods. This statement measures the success of the District's activities over the past year and can be used to determine whether the District has successfully recovered all of its costs. This statement also measures profitability and credit worthiness.

The Statement of Net Assets and the Statement of Activities present information about the following:

Governmental Activities - the District's basic services are considered to be governmental activities. These services are supported by general District revenues such as taxes, and by specific program revenues such as user fees and charges.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Fund Financial Statements provide detailed information about each of the District's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually; the District has no Non-major Funds. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds, in the District's case; the General Fund is the only Major Governmental Fund.

Governmental Funds - 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 fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

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 balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Comparisons of Budget and Actual financial information are presented for the General Fund. The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 10-11 of this report.

ANALYSES OF MAJOR FUNDS

Governmental Funds

General Fund revenues decreased by \$147,688 this fiscal year due primarily to the decrease in property taxes. Actual revenues were in line with the budget amount (actual \$2,252,179 vs. budget \$2,345,789).

General Fund expenditures were \$2,379,897; an increase of \$163,335 from the prior year mainly due to the software development of the District's new Mosquito Operations System (MOS). Expenditures were less than budgeted by \$254,392.

Government-Wide Financial Analysis

One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District's activities in a way that will help to answer this question. These two statements report the net assets of the District and the changes in them. One can think of the District's net assets, which is the difference between assets and liabilities, as one way to measure financial health or financial position. Key elements of the financial statements mentioned above are focused on the nets assets (Table 1) and activities (Table 2).

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2011

Table 1

Statement of Net Assets

Assets

	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>% Change</u>
Cash and investments	\$ 3,277,736	\$ 1,819,451	\$ 1,458,285	80%
Other current assets	430,996	1,967,603	(1,536,607)	(78)%
Capital assets net accumulated depreciation	871,803	777,143	94,660	12%
Total assets	\$ 4,580,535	\$ 4,564,197	\$ 16,338	0%

Liabilities

Current liabilities	\$ 186,604	\$ 140,414	\$ 46,190	(33%)
Total liabilities	\$ 186,604	\$ 140,414	\$ 46,190	(33%)

Net Assets

Invested in capital assets	\$ 871,803	\$ 777,143	\$ 94,660	12%
Unrestricted	3,522,128	3,646,640	(124,512)	(3)%
Total net assets	\$ 4,393,931	\$ 4,423,783	\$ (29,852)	(1%)

The District's governmental net assets amounted to \$4,393,931 as of June 30, 2011, a increase of \$40,549 from 2010. The District's net assets as of June 30, 2011 comprised the following:

- Cash and investments of \$3,277,736.
- Accounts receivable of \$1,963.
- Capital assets of \$871,803 net of depreciation charges, which includes all the District's capital assets used in governmental activities.
- Liabilities, including accounts payable and other liabilities, totaling \$186,604.
- Net assets invested in capital assets, net of related debt, of \$871,803, representing the District's investment in capital assets used in Governmental Activities, net of amounts borrowed to finance that investment.
- Unrestricted net assets, the part of net assets that can be used to finance day-today operations without constraints established by debt covenants or other legal requirements. The District had \$3,522,128 of unrestricted net assets as of June 30, 2011.

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011**

The Statement of Activities presents program revenues and expenses and general revenues in detail. All of these are elements in the Changes in Governmental Net Assets summarized in the following table.

Table 2

Changes in Governmental Net Assets

<u>Program</u>	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>% Change</u>
<u>Revenues</u>				
Taxes	\$ 1,062,729	\$ 1,121,848	\$ (59,119)	(5)%
Charges for current services	1,139,362	1,163,784	(24,422)	(2)%
Home owners property tax relief	19,577	19,735	(158)	(1)%
Use of money and property	33,770	40,888	(7,118)	(17)%
Other revenue	3,551	60,422	(56,871)	(94)%
Total revenues	\$ 2,258,989	\$ 2,406,677	\$ (147,688)	(6)%
<u>Expenditures/ Expenses</u>				
Current:				
Salaries and benefits	\$ 1,537,611	\$ 1,336,071	\$ 201,540	15%
service and supplies	643,176	600,896	42,280	7%
Utilities	13,112	12,880	232	2%
Capital outlay	-	90,199	(90,199)	(100)%
Depreciation	94,942	69,032	25,910	38%
Total expenditures	\$ 2,288,841	\$ 2,109,078	\$ 179,763	9%
	<u>Change in net assets</u>		\$ (29,852)	\$ 297,599
<u>Fund Balance:</u>				
Beginning of year	\$ 4,423,783	\$ 4,126,184		
End of year	\$ 4,393,931	\$ 4,423,783		

As Table 2 above shows, all of the District's fiscal year 2011 governmental revenue of \$2,258,989 came from general revenues such as taxes, charges for services and interest. General revenues are not allocable to programs. General revenues are used to pay for the net cost of governmental programs.

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2011

Capital Assets

Detail on capital assets can be found in Note 4.

Debt Administration

In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Compensated absences accounted for the largest long-term liability for the District year ending June 30, 2011; \$133,157. Additionally, the District currently carries a defined benefit post-employment healthcare plan and the corresponding post employment benefit obligation.

Economic Outlook and Major Initiatives

Our projected Budget for the 2011-2012 Fiscal Year is \$2,357,541. For the fiscal year 2011-2012 we have forecasted a reduction in property taxes, interest income and a slight increase in benefit assessment revenues. The District's financial position continues to be more than adequate. Financial planning is based on specific assumptions from recent trends in property values, State of California economic forecasts and historical growth patterns in the various communities served by the District.

Contacting the District Financial Management

This financial report is intended to provide citizens, taxpayers, and creditors with a general overview of the District's finances. If you have any questions about this report or need additional financial information, contact the District office at 19200 Latona Rd, Anderson, California, 96007.

Peter Bonkrude

District Manager

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SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT

STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2011

	General Fund	Capital Projects Fund	Total	Adjustments (Note 2)	Statement of Net Assets
ASSETS:					
Cash and cash equivalents	\$ 1,685,674	\$ 836,880	\$ 2,522,554	\$ -	\$ 2,522,554
Restricted cash and cash equivalents	755,182	-	755,182	-	755,182
Accounts receivable	1,963	-	1,963	-	1,963
Due from other governments	81,471	-	81,471	-	81,471
Property tax receivable - long term	93,064	-	93,064	-	93,064
Inventories	245,438	-	245,438	-	245,438
Other postemployment benefit asset	-	-	-	9,060	9,060
Non-depreciable capital assets	-	-	-	193,226	193,226
Depreciable capital assets, net	-	-	-	678,577	678,577
Total assets	\$ 2,862,792	\$ 836,880	\$ 3,699,672	880,863	4,580,535
LIABILITIES:					
Accounts payable	\$ 53,447	\$ -	\$ 53,447	-	53,447
Deferred revenue	93,064	-	93,064	(93,064)	-
Compensated absences	-	-	-	133,157	133,157
Total liabilities	146,511	-	146,511	40,093	186,604
FUND BALANCE/NET ASSETS:					
Fund balance:					
Nonspendable	245,438	-	245,438	(245,438)	-
Committed	904,477	-	904,477	(904,477)	-
Assigned, capital projects	-	836,880	836,880	(836,880)	-
Unassigned	1,566,366	-	1,566,366	(1,566,366)	-
Total fund balance	2,716,281	836,880	3,553,161	(3,553,161)	-
Total liabilities and fund balance	\$ 2,862,792	\$ 836,880	\$ 3,699,672		
Net assets:					
Invested in capital assets, net of related debt				871,803	871,803
Unrestricted				3,522,128	3,522,128
Total net assets				\$ 4,393,931	\$ 4,393,931

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

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2011

	General Fund	Capital Projects Fund	Total	Adjustments (Note 2)	Statement of Activities
REVENUES:					
Taxes	\$ 1,062,729	\$ -	\$ 1,062,729	\$ -	\$ 1,062,729
Charges for current services	1,139,362	-	1,139,362	-	1,139,362
Home owners property tax relief	19,577	-	19,577	-	19,577
Use of money and property	26,960	6,810	33,770	-	33,770
Other revenue	3,551	-	3,551	-	3,551
Total revenues	<u>2,252,179</u>	<u>6,810</u>	<u>2,258,989</u>	<u>-</u>	<u>2,258,989</u>
EXPENDITURES/EXPENSES:					
Current:					
Salaries and benefits	1,534,007	-	1,534,007	3,604	1,537,611
Service and supplies	643,176	-	643,176	-	643,176
Utilities	13,112	-	13,112	-	13,112
Capital outlay	189,602	-	189,602	(189,602)	-
Depreciation	-	-	-	94,942	94,942
Total expenditures/expenses	<u>2,379,897</u>	<u>-</u>	<u>2,379,897</u>	<u>(91,056)</u>	<u>2,288,841</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	88,500	-	88,500	-	88,500
Transfers out	-	(88,500)	(88,500)	-	(88,500)
Total other financing sources (uses)	<u>88,500</u>	<u>(88,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(39,218)	(81,690)	(120,908)	120,908	-
Change in net assets	-	-	-	(29,852)	(29,852)
FUND BALANCE/NET ASSETS:					
Beginning of year, as restated	<u>2,755,499</u>	<u>918,570</u>	<u>3,674,069</u>	<u>749,714</u>	<u>4,423,783</u>
End of year	<u>\$ 2,716,281</u>	<u>\$ 836,880</u>	<u>\$ 3,553,161</u>	<u>\$ 840,770</u>	<u>\$ 4,393,931</u>

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

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The Shasta Mosquito and Vector Control District is a California special district governed by a five-member board of trustees. As required by generally accepted accounting principles, these financial statements present the Shasta Mosquito and Vector Control District alone, as the District has no component units, related organizations or jointly governed organizations.

The purpose of the District is to protect the public's health from vector-borne disease and nuisance, through a comprehensive mosquito and vector control program.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller and state regulations governing special districts.

BASIS OF PRESENTATION

For financial reporting purposes, the District is considered a special-purpose government engaged in governmental activities. As provided by GASB Statement No. 34, the basic financial statements are presented using the combined approach. This approach combines the fund financial statements with the government-wide financial statements (i.e., the statement of net assets and the statement of activities) by using a columnar format that reconciles the individual line items of fund financial data to government-wide data in a separate column. Inter-fund activities are eliminated in the government-wide financial statements. The other reconciling items are further explained in Note 2.

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. Contributions and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and

(Continued on following page)

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

BASIS OF PRESENTATION (Continued)

"available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all governmental fund revenues except property taxes which have a 60 day availability period. Expenditures are recorded when the related fund liability is incurred. The activities of the District are recorded in the General Fund and the Capital Projects Fund.

BASIS OF ACCOUNTING

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District has elected to follow GASB pronouncements and not Financial Accounting Standards Board (FASB) pronouncements after 1989, as presented by GASB Statement No. 20.

CASH AND CASH EQUIVALENTS

The District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested in the County Treasurer's investment pool are considered cash equivalents.

RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash represents funds held by the Vector Control Joint Powers Agency. See further discussion in Note 9.

DUE FROM OTHER GOVERNMENTS

Due from other governments consist of property taxes and special assessments. Management considers all taxes receivable to be collectible.

(Continued on following page)

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

PROPERTY TAX RECEIVABLE – LONG TERM

Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts (excluding redevelopment agencies). The state is required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the Agency was \$93,064.

The borrowing by the State of California was recognized as a receivable in the accompanying financial statements. Under the modified accrual basis of accounting, the borrowed tax revenues are not permitted to be recognized as revenue in the governmental fund financial statements until the tax revenues are received from the State of California (expected to be fiscal year 2012-13) and therefore this amount has been offset by a corresponding amount in deferred revenue. In the government-wide financial statements, the tax revenues were recognized in the fiscal year for which they were levied (fiscal year 2009-10).

INVENTORIES

The cost of governmental fund inventories are recorded as expenditures when consumed rather than when purchased.

CAPITAL ASSETS

Capital assets, which include land, buildings, and equipment are reported in the government-wide financial statements. Acquisitions of capital assets are recorded as expenditures in the governmental fund at the time of purchase.

Capital assets are recorded at historical cost, although for certain older assets estimated historical costs are used. Donated capital assets are recorded at the estimated fair market value at the date of donation.

(Continued on following page)

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

CAPITAL ASSETS (Continued)

Capital assets used in operations are depreciated using the straight-line method over the estimated useful lives in the government-wide financial statements. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Vehicles	5 years
Furniture and equipment	5 to 7 years
Buildings and improvements	15 to 39 years

The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. The capitalization threshold is \$3,000.

DEFERRED REVENUES

Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

COMPENSATED ABSENCES

Vested or accumulated vacation leave and compensatory time that are expected to be liquidated with expendable available financial resources are reported as expenditures and fund liabilities of the governmental funds that will pay them. Amounts of vested or accumulated vacation leave and compensatory time that are not expected to be liquidated with expendable available financial resources are reported in the Statement of Net Assets as long-term liabilities, including the current portion. In accordance with generally accepted accounting principles, no liability is recorded for nonvesting accumulated rights to receive sick pay benefits.

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SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

NET ASSETS/FUND BALANCE

Net assets represent the difference between assets and liabilities. The District's net assets are classified as follows:

- *Invested in capital assets* – This represents the District's total investment in capital assets. There are no outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets.

- *Unrestricted* – Unrestricted net assets represent resources derived from taxes and charges for services. These resources are used for transactions relating to the general operations of the District's, and may be used at the discretion of the governing board to meet current expenses for any purpose.

Beginning with the year ending June 30, 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* – amounts that are not in spendable form (such as inventories) or are required to be maintained intact.

- *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

- *Committed fund balance* – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

(Continued on following page)

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

NET ASSETS/FUND BALANCE (Continued)

- *Assigned fund balance* – amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. All of the District's assigned fund balance is assigned for capital projects.

- *Unassigned fund balance* – amounts that are available for any purpose.

Beginning fund balances for the District's governmental fund has been restated to reflect the above classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

PROPERTY TAXES

The County of Shasta assesses, bills, and collects property taxes for the District. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1. They become due November 1 and February 1 and become delinquent December 10 and April 10.

The County adopted the alternative method of tax apportionment ("Teeter Plan"). As of July 1, 1992, the District determined they would participate in this plan. Under the plan the County now remits all property taxes due to the District and all special assessments due to the District without regard to their current or delinquent status.

USE OF ESTIMATES

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(Continued on following page)

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
 (Continued)

TRANSFERS

Transfers are made between the Capital Projects Fund and the General Fund are either to set aside funds for future capital acquisitions or to fund current year capital acquisitions.

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

Amounts reported in the Statement of Net Assets are different from the Governmental Funds Balance Sheet because:

Governmental funds report capital outlay as expenditures when incurred. However, in the Statement of Net Assets, capital assets are capitalized when acquired and their costs are allocated over their estimated useful lives through the use of depreciation expense. This is the amount by which the cost capitalized exceeds the accumulated depreciation expense to date.

Non-depreciable capital assets	\$ <u>193,226</u>
Depreciable capital assets	\$ 2,152,041
Accumulated depreciation	<u>(1,473,464)</u>
Depreciable capital assets, net	\$ <u>678,577</u>

Long term receivables that are not available to pay current period expenditures are reported as deferred revenue in the governmental funds. However, in the Statement of Net Assets, the revenue is recorded in the period earned with no deferral of the revenues.

Deferred revenue	\$ 93,064
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In addition, some expenses (such as compensated absences and other post employment benefits) reported in the Statement of Activities do not require the use of current financial resources and are therefore not reported as expenditures and liabilities in the Governmental Funds Balance Sheet.

(Continued on following page)

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND
 GOVERNMENTAL FUND FINANCIAL STATEMENTS
 (Continued)

The following reflects the liability for expenses that will not be paid with current resources:

OPEB obligation (asset)	\$ (9,060)
Compensated absences	\$ 133,157

Amounts reported in the Statement of Activities are different from the Governmental Fund Revenues, Expenditures, and Changes in Fund Balance because:

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund:

Compensated absence expense	\$ 4,937
Other post employment expense	\$ (1,333)

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and reported over their estimated useful lives as depreciation expense:

Depreciation expense	\$ 94,942
Capital outlay	\$ 189,602

NOTE 3 CASH AND INVESTMENTS

The cash and investments as of June 30, 2011 are displayed on the statement of net assets as follows:

Cash and cash equivalents	\$ 1,685,674
Restricted cash and cash equivalents	<u>836,880</u>
Total cash and cash equivalents	<u>\$ 2,522,554</u>
Restricted investments	<u>\$ 755,182</u>

(Continued on following page)

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3 CASH AND INVESTMENTS
(Continued)

Deposits – At June 30, 2011, the carrying amount of the deposits are summarized as follows:

Cash in County Treasury	\$ <u>2,522,554</u>
Total deposits	\$ <u>2,522,554</u>

All District balances are held by the County of Shasta in a pooled fund, which is invested by the County to earn interest. Interest earned on such pooled cash balances is distributed to participating funds based on each fund's average cash balance during the distribution period. Copies of the County of Shasta's 2011 audited financial statements may be obtained from the County Office of Administration at 1450 Court Street, Room 309, Redding, CA 96001-1671.

Funds invested in the County Treasurer's investment pool are considered cash equivalents. GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, provides that amounts held in external investment pools be reported at fair value.

The California Government Code and investment policy of the County authorize the County to invest in obligations, participations, or other investments of the U.S. Government or its agencies, state and municipal bonds, commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by Standard & Poor's Corporation or Moody's Investor Service, Inc., bankers' acceptances, repurchase agreements and the State Treasurer's Investment Pool (Local Agency Investment Fund).

The pooled treasury has regulatory oversight from the Shasta County Treasury Oversight Committee in accordance with California Government Code requirements. As provided in the 2011 audited financial statements for the County of Shasta, the County Treasury's Pooled Money Investment account's weighted average maturities was 623.07 days.

Risk Information – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. California Government Code Section 53601 limits the County's investments to maturities of five years.

(Continued on following page)

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 3 CASH AND INVESTMENTS
(Continued)

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. This is measured by ratings assigned by nationally-recognized organizations. The District's investment in the county investment pool is unrated.

Concentration risk is defined as positions of 5% or more in the securities of a single issuer. The District's investment policy does not address this risk.

Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g., financial institution, broker-dealer) to a transaction, a government will not be able to recover the value of its cash and investments or collateral securities that are in the possession of another party. For deposits, the *California Government Code* requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110 percent of an entity's deposits. California law also allows financial institutions to secure an entity's deposits by pledging first trust deed mortgage notes having a value of 150 percent of an entity's total deposits. The District does not have a policy to address this risk. As all funds of the District are maintained by the County, the District relies on the County to mitigate this risk.

(Continued on following page)

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2011.

	Balance June 30, 2010, <u>as restated</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, 2011
Non-depreciable capital assets:				
Land	51,273	-	-	51,273
CIP	<u>-</u>	<u>141,953</u>	<u>-</u>	<u>141,953</u>
Total non-depreciable capital assets	\$ <u>51,273</u>	\$ <u>141,953</u>	\$ <u>-</u>	\$ <u>193,226</u>
Depreciable capital assets:				
Building and improvements	\$ 1,256,712	\$ -	\$ -	\$ 1,256,712
Furniture and equipment	359,932	-	-	359,932
Vehicles	<u>487,748</u>	<u>47,649</u>	<u>-</u>	<u>535,397</u>
Total depreciable capital assets	<u>2,104,392</u>	<u>47,649</u>	<u>-</u>	<u>2,152,041</u>
Less accumulated depreciation:	<u>(1,378,522)</u>	<u>(94,942)</u>	<u>-</u>	<u>(1,473,464)</u>
Total depreciable assets, net	\$ <u>725,870</u>	\$ <u>(47,293)</u>	\$ <u>-</u>	\$ <u>678,577</u>

During the current year it was determined that \$83,626 of assets had been disposed of in the previous fiscal years but had not been removed from the District's financial statements. The assets were fully depreciated therefore there is no effect on the financial statements of recording this disposal.

NOTE 5 LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2011:

	Balance June 30, 2010	<u>Additions</u>	<u>Deletions</u>	Balance June 30, 2011	Due Within One Year
Compensated absences	\$ 128,220	\$ 124,873	\$ 119,936	\$ 133,157	\$ -

(Continued on following page)

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 5 LONG-TERM LIABILITIES
(Continued)

Compensated Absences

Compensated absences represents accumulated vacation leave, sick leave and compensatory time earned by District employees. The District does not consider that these amounts will be paid with current resources unless an employee has given notice of planned resignation/retirement. As of June 30, 2011 there were no material known amounts and accordingly no liability for compensated absences included in the General Fund at June 30, 2011. The amount is included in the entity-wide Statement of Net Assets as a long-term liability with none of the balance expected to be due within the next year.

NOTE 6 RETIREMENT PLAN

CalPERS requires all government entities with less than 100 active members to participate in a risk pool. Accordingly, the District participates in a “cost-sharing” pool within CalPERS.

A. Plan Descriptions and Provisions

All full-time employees participate in the CalPERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The District is part of a “cost-sharing” pool within CalPERS.

Employees are eligible for retirement as early as age 50 with five years of service. At age 55, the employee is entitled to a monthly benefit of 2.0 percent of final compensation for each year of service credit.

Retirement after age 55 will increase the percentage rate to a maximum of 2.418 percent at age 63. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Fund, members’ accumulated contributions are refundable with interest credited through the date of separation.

The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the Fund, members’ accumulated contributions are refundable with interest credited through the date of separation.

(Continued on following page)

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE 6 RETIREMENT PLAN
 (Continued)

A. Plan Descriptions and Provisions (Continued)

The Public Employees' Retirement Law (Part 3 of the *California Government Code*, Section 20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

B. Funding Policy

Active plan members are required to contribute 7.0% of their annual covered salary. Currently, the District pays employee contribution amounts.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's employer contribution rate for the current year was 15.304%.

The contribution requirements of the plan members are established by State statutes.

The District's required contributions for the last three years are as follows:

Year Ended June 30,		
2009	2010	2011
\$ <u>112,098</u>	\$ <u>122,832</u>	\$ <u>132,213</u>

All contributions were made in accordance with actuarially determined requirements and equal 100% of the required contribution for each year.

(Continued on following page)

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS

A. Plan Description

The District contracts for health care for its active and retired employees under the Public Employee Medical Health Care Act (PEMCHA) (the Plan). The Plan provides lifetime healthcare insurance for eligible employees and their eligible family members through the District's group insurance plan which covers both active and retired members. Benefit provisions are established and may be amended by the District's Board of Trustees as authorized by bylaws. The Plan provides for the District to contribute between 75 and 100 percent of the cost of health insurance premiums for retirees and their eligible family members. The Plan does not issue a publicly available report.

Currently, the District has 6 active full-time employees who have attained retirement age and are eligible for postretirement health benefits and 4 retirees who receive postretirement health benefits. Additionally, the District has 9 active full-time employees who could become eligible to receive postretirement health benefits if they continue to work at the District until retirement age.

B. Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers with plans that have fewer than 100 total members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

	2011
Annual required contribution	\$ 98,980
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	98,980
Contributions made	100,313
Increase in net OPEB obligation/asset	1,333
Net OPEB obligation/asset, beginning of year	7,727
Net OPEB obligation/asset, end of year	\$ 9,060

(Continued on following page)

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS
 (Continued)

B. Annual OPEB Cost and Net OPEB Obligation (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011, 2010 and 2009 were as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 111,531	109.00%	\$ (10,293)
2010	\$ 98,980	97.00%	\$ (7,727)
2011	\$ 98,980	101.00%	\$ (9,060)

C. Funding Policy, Funded Status, and Funding Progress

The contribution requirements are established and may be amended by the District. The District contributes between 75 and 100 percent of the cost of current-year premiums for eligible retired Plan members and their eligible family members depending on the date of hire. For fiscal year 2011, the District contributed \$100,313 to the Plan.

The Districts funding status information is illustrated as follows:

Actuarial valuation date	July 1, 2009
Actuarial accrued liability (AAL)	\$ 875,953
Actuarial value of plan assets	\$ 130,221
Unfunded AAL (UAAL)	\$ 745,732
Funded ratio	14.87%
Covered payroll	\$ 850,216
UAAL as percentage of covered payroll	87.71%

(Continued on following page)

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS
(Continued)

C. Funding Policy, Funded Status, and Funding Progress (Continued)

As of June 30, 2011, the District has set aside approximately \$259,910 in an external trust fund and the fair value of the trust fund as of June 30, 2011 was approximately \$357,763.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Amounts determined regarding the funded status of a plan and the employer's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

D. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following simplifying assumptions were made:

Assumptions About Employees and Members – Based on the historical average retirement age of the covered group, active plan members were assumed to retire at age 60 or the first year thereafter in which the member would qualify for benefits. Marital status as of the calculation date was assumed to continue throughout retirement. Life expectancy was based on mortality tables published by CalPERS. The probability of remaining employed until the assumed retirement age and employees' expected future working lifetimes were developed using CalPERS tables.

Assumptions About Healthcare Costs – The 2009 health insurance premiums for retirees were used to calculate the present value of total benefits to be paid. The expected rate of increase in health insurance premiums initially used a select rate of 9 percent, with reduction to the ultimate rate of 4.5 percent after seven years.

(Continued on following page)

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 7 OTHER POSTEMPLOYMENT BENEFITS
(Continued)

D. Actuarial Methods and Assumptions (Continued)

Other Assumptions and Methods – The inflation rate was assumed to be 2.50 percent. A simplified version of the entry age actuarial cost method was used in the actuarial valuation. The UAAL is amortized over a thirty-year period as a level percent of projected payroll on an open basis. Payroll was assumed to grow over the long-term at the same rate as inflation.

NOTE 8 SELF-INSURANCE

The District is a member of the Vector Control Joint Powers Agency, for the purpose of providing a pooling plan for member Districts to provide their own workers' compensation and liability insurance.

Under the Agreement, the District has a self-insured retention under the workers' compensation plan of \$10,000 and excess insurance coverage to statutory limit. The liability fund provides for a self-insured retention of \$2,500 and excess insurance coverage to \$10,000,000. The premiums billed by the JPA to member districts are planned to match the expenses of the self insurance as well as the cost of providing the excess layer coverage and the cost of administering the plans.

The Shasta Mosquito and Vector Control District uses the general fund method to account for the cost of self-insurance. While the ultimate amount of the costs of self-insurance through June 30, 2011 is dependent on future developments, District management believes that the aggregate premiums paid to the JPA's are adequate to cover the District's losses through June 30, 2011, including incurred but not reported losses.

Total premiums paid to the JPA's during the fiscal year ended June 30, 2011 totaled \$35,700 and \$35,719 respectively for workers' compensation and liability insurance. Losses paid under either program during the fiscal year were not in excess of self-insured retention amount paid in prior years.

(Continued on following page)

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE 8 SELF-INSURANCE
 (Continued)

VCJPA's audited condensed financial information for the year ended June 30, 2011 is presented below:

Total assets	\$ <u>12,066,388</u>
Total liabilities	\$ 6,915,192
Equity	<u>5,151,196</u>
Total liabilities and net assets	\$ <u>12,066,388</u>
Total revenue	3,822,993
Total expenditures	3,933,933
Refunds to members	<u>93,360</u>
Net decrease in equity	\$ <u>204,300</u>

The restricted cash balance of \$755,182 represents the balance of the excess reserves held by the JPA.

NOTE 9 COMMITTED FUND BALANCE

The committed fund balance as of June 30, 2011 consists of the following:

Public Health Emergency Fund	\$ 300,000
Facility Improvement Fund	150,000
Bio-Control Development Fund	75,000
Existing Facilities Renovation Fund	100,000
Fixed Asset Replacement Fund	100,000
IT Equipment Replacement Fund	75,000
Revenue Stabilization Fund	<u>104,477</u>
	\$ <u>904,477</u>

(Continued on following page)

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE 10 PRIOR PERIOD ADJUSTMENTS

The net assets as of the beginning of the year were restated for errors related to inventory, other postemployment benefits, deferred revenue, and compensated absences.

	General Fund Balance	Net Assets
As previously reported	\$ 3,481,579	\$ 4,258,722
Inventory adjustment	157,334	157,334
Other postemployment benefits adjustment	-	7,727
Deferred revenue adjustment	(93,064)	-
Compensated absences adjustment	128,220	-
Total prior period adjustments	\$ 192,490	\$ 165,061
As restated	\$ 3,674,069	\$ 4,423,783

The above items had no impact on the current year operations/change in net assets. The effect of the correction of these errors on operation/change in net assets of the prior year could not be determined.

INVENTORY

Inventory had not been recorded in prior years.

OTHER POST EMPLOYMENT BENEFITS

The asset related to other postemployment benefits was not recorded previously.

DEFERRED REVENUE

The Prop 1A funds were erroneously included in revenue of the general fund in the prior year. The funds do not meet the "availability" criteria and therefore should have been deferred.

COMPENSATED ABSENCES

The compensated absences in the prior year were erroneously recorded as a liability of the general funds. As discussed in Note 1, this liability is not expected to be liquidated with expendable available funds and is therefore not reported in the general fund.

REQUIRED SUPPLEMENTARY INFORMATION

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 1,112,263	\$ 1,112,263	\$ 1,062,729	\$ (49,534)
Charges for current services	1,088,612	1,088,612	1,139,362	50,750
Home owners property tax relief	-	-	19,577	19,577
Use of money and property	28,014	28,014	26,960	(1,054)
Other revenue	116,900	116,900	3,551	(113,349)
Total revenues	2,345,789	2,345,789	2,252,179	(93,610)
EXPENDITURES:				
Current:				
Salaries and benefits	1,561,489	1,561,489	1,534,007	27,482
Service and supplies	978,800	978,800	643,176	335,624
Utilities	14,000	14,000	13,112	888
Capital outlay	80,000	80,000	189,602	(109,602)
Total expenditures	2,634,289	2,634,289	2,379,897	254,392
OTHER FINANCING SOURCES (USES):				
Transfers in	288,500	288,500	88,500	(200,000)
Transfers out	-	-	-	-
Total other financing sources (uses)	288,500	288,500	88,500	(200,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ -	\$ -	(39,218)	\$ (39,218)
Fund Balance, beginning of year, as restated			2,755,499	
Fund Balance, end of year			\$ 2,716,281	

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

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2011

NOTE 1 BASIS OF BUDGETING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Revenues are estimated and annual appropriations are adopted. All annual appropriations lapse at fiscal year end.

The District's governing board approves a tentative budget no later than August 31, and adopts a budget no later than September 30 of each fiscal year. A public hearing is conducted to receive comments prior to adoption. The budget is modified throughout the year to allow for unanticipated income and expenditures. The final revised budget is presented in the financial statements.

**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**

Board of Directors
Shasta Mosquito and Vector Control District
Cottonwood, California

We have audited the financial statements of the governmental activities and each major fund of the Shasta Mosquito and Vector Control District (District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 20, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that we consider to be significant deficiencies in internal control over financial reporting. *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.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Directors and other regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

March 20, 2012

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2011

A. FINDINGS – FINANCIAL STATEMENTS AUDIT

2011-1 – Audit Adjustments

Condition: During our audit of the current year, we noted several adjustments that were material to the financial statements that were required in order for the financial statements to be prepared in accordance and/or conformity with generally accepted accounting principles. These adjustments were not identified through the District's internal control.

Criteria: All adjustments necessary for financial statements to be prepared in accordance and/or conformity with generally accepted accounting principles should be identified and posted by the District.

Effect: Financial statements which are not in conformity with generally accepted accounting principles could have been prepared and distributed.

Recommendation: We recommend that management take steps to ensure that all adjustments necessary to prepare financial statements in conformity with generally accepted accounting principles be identified and posted prior to the start of the audit.