



MATSON
& ISOM

SHASTA MOSQUITO AND
VECTOR CONTROL DISTRICT

Anderson, California

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITORS' REPORTS

June 30, 2012

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*Shasta Mosquito and
Vector Control District*

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Shasta Mosquito and Vector Control District
Anderson, California

We have audited the accompanying financial statements of the governmental activities and each major fund of Shasta Mosquito and Vector Control District (the District) as of June 30, 2012, and for the year then ended, 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 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, 2012, 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 (GAAP).

In accordance with *Government Auditing Standards*, we have issued our report dated February 22, 2013 on our consideration of the District's internal control over financial reporting and 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 the 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 management's discussion and analysis and budgetary comparison information 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 evidence sufficient to express an opinion or provide any assurance.

Matson and Isom

February 22, 2013
Redding, California

MANAGEMENT DISCUSSION AND ANALYSIS SECTION
(Required Supplementary Information)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

*Shasta Mosquito and
Vector Control District*

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, 2012. 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) 2011-2012 by \$4,224,334. Of this amount, \$3,457,269 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$169,597.
- At the end of the FY 2011-2012, unassigned fund balance for the general fund was \$1,653,177 or 72% percent of the total general fund expenditures.
- Revenues decreased by \$52,869, expenses increased by \$86,876 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.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

*Shasta Mosquito and
Vector Control District*

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.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

*Shasta Mosquito and
Vector Control District*

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.

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 11-12 of this report.

ANALYSES OF MAJOR FUNDS

Governmental Funds

General Fund revenues decreased by \$52,869 this fiscal year, due primarily to the decrease in property taxes, interest income and reimbursement for services. Actual revenues were in line with the budget amount (actual \$2,261,120 vs. budget \$2,351,541).

General Fund expenditures were \$2,244,342; an increase of \$86,876 from the prior year mainly due to the increase in health insurance costs and additional costs associated with labor negotiations. Expenditures were less than budgeted by \$69,375.

MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2012

Shasta Mosquito and Vector Control District

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).

Table 1 - Statement of Net Assets	2012	2011	Change	% Change
ASSETS				
Cash and investments	\$ 3,255,399	\$ 3,277,736	\$ (22,337)	-1%
Other current assets	331,749	430,996	(99,247)	-23%
Capital assets - net accumulated depreciation	767,065	871,803	(104,738)	-12%
Total Assets	\$ 4,354,213	\$ 4,580,535	\$ (226,322)	-5%
LIABILITIES				
Current liabilities	\$ 129,879	\$ 186,604	\$ (56,725)	-30%
Total Liabilities	\$ 129,879	\$ 186,604	\$ (56,725)	-30%
NET ASSETS				
Invested in capital assets	\$ 767,065	\$ 871,803	\$ (104,738)	-12%
Unrestricted	3,457,269	3,522,128	(64,859)	-2%
Total Net Assets	\$ 4,224,334	\$ 4,393,931	\$ (169,597)	-4%

The District’s governmental net assets amounted to \$4,224,334 as of June 30, 2012, a decrease of \$169,597 from 2011. The District’s net assets as of June 30, 2012 comprised the following:

- Cash and investments of \$3,255,399.
- Accounts receivable of \$9,501.
- Capital assets of \$767,065 net of depreciation charges, which includes all the District’s capital assets used in governmental activities.
- Liabilities, including accounts payable and other liabilities, totaling \$129,879.
- Net assets invested in capital assets, net of related debt, of \$767,065, 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 \$3,457,269 of unrestricted net assets as of June 30, 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

Shasta Mosquito and Vector Control District

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	2012	2011	Change	% Change
PROGRAM REVENUES				
Taxes	\$ 1,007,824	\$ 1,062,729	\$ (54,905)	-5%
Charges for current services	1,141,795	1,139,362	2,433	0%
Home owners property tax relief	18,866	19,577	(711)	-4%
Use of money and property	32,117	33,770	(1,653)	-5%
Other revenues	5,518	3,551	1,967	36%
Total Revenues	\$ 2,206,120	\$ 2,258,989	\$ (52,869)	-2%
EXPENDITURES/EXPENSES				
Salaries and benefits	\$ 1,578,900	\$ 1,537,611	\$ 41,289	3%
Service and supplies	676,724	643,176	33,548	5%
Utilities	15,355	13,112	2,243	15%
Capital outlay	-	-	-	0%
Depreciation	104,738	94,942	9,796	9%
Total Expenditures	\$ 2,375,717	\$ 2,288,841	\$ 86,876	9%
Change in Net Assets	(169,597)	(29,852)		
Fund Balance - Beginning of Year	4,393,931	4,423,783		
Fund Balance - End of Year	\$ 4,224,334	\$ 4,393,931		

As Table 2 above shows, all of the District's fiscal year 2012 governmental revenue of \$2,206,120 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.

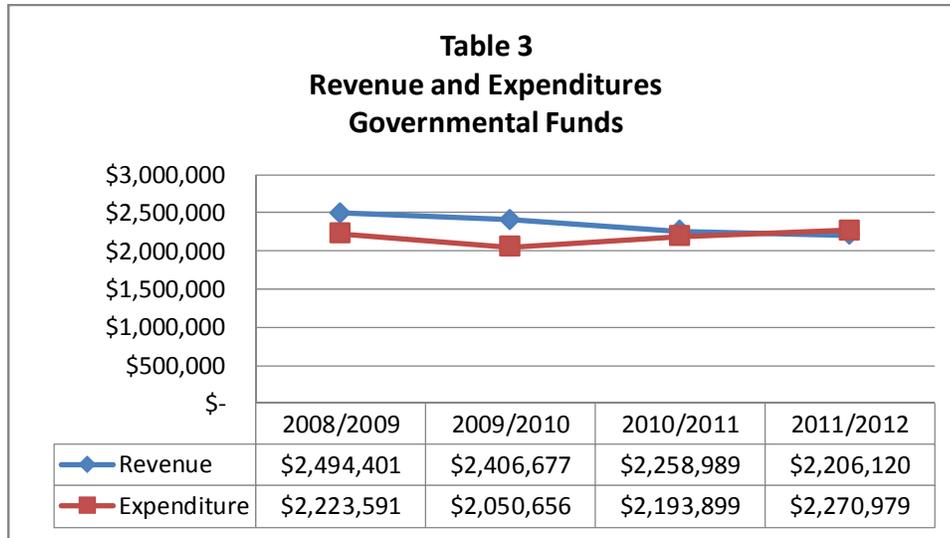
MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2012

Shasta Mosquito and Vector Control District

Revenues and Expenditures

As can be seen in Table 3, revenues were highest in 2008/09. Since 2008, District staff changed the budget process which has resulted in a closer budget to actual. Changes in revenues occurred in these areas: benefit assessment, property taxes, and interest income. Property taxes have declined because of the lowering property values following the housing market decline. In Fiscal year 2010/11 and 2011/12 the District expenditures exceeded revenue, this is a result of Board direction to reduce fund balance and lessen fluctuations in the Benefit Assessment rate.



Capital Assets

Detail on capital assets can be found in Note 4.

Budgetary Highlights

The Shasta Mosquito and Vector Control District’s budget year starts July 1st ending June 30th the following year. Annual preparations for the budget begin in January and continue through the spring until the budget package is distributed to the Board of Trustees at the regular meeting in May each year to be approved and adopted at the June meeting.

The District Manager prepares the budget document and serves as the focal point for issuing guidelines, responding to questions and along with the Administrative Manager reviewing departmental budget requests. The District Manager, along with the Administrative Manager, prepares and presents the budget to the Finance Committee. The Finance Committee is comprised of two Board of Trustees selected by the Board president at the beginning of the calendar year.

The Finance Committee reviews, and if necessary, revises the proposed budget. The Finance Committee also determines whether the proposed budget adequately addresses the priorities of the District. The Finance Committee approves the proposed budget and submits it for adoption by the full Board of Trustees. The Board of Trustees has the final responsibility for adopting the budget and making the necessary appropriations.

MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2012

Shasta Mosquito and Vector Control District

Amendments must be approved by the Board of Trustees and consist of changes to the appropriations in the budget document after Board adoption but before the end of the year. Criterion for formal amendments to the budget include: unexpected downturn in economic conditions, rising costs for services or supplies purchased by the District, new priorities, or forecast errors.

Table 4 - Budget vs Actual	Budget	Actual	% Variance
PROGRAM REVENUES			
Property taxes and assessments	\$ 2,275,541	\$ 2,168,485	-5%
Interest and miscellaneous	21,000	37,635	44%
Transfers	55,000	55,000	0%
Total Revenues	2,351,541	2,261,120	-4%
EXPENDITURES/EXPENSES			
Salaries and benefits	1,600,251	1,599,271	0%
Service and supplies	697,466	629,716	-11%
Utilities	16,000	15,355	-4%
Capital outlay	-	-	0%
Total Expenditures/Expenses	\$ 2,313,717	\$ 2,244,342	-3%

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, 2012; \$115,037. Additionally, the District currently carries a defined benefit post-employment healthcare plan and corresponding post-employment benefit obligation.

Economic Outlook and Next Year’s Budget

Economic factors to consider include: the continuing housing market problems with many home foreclosures throughout the County, less development and the reduction in home values which will affect future property tax revenue. Price of fuel will play a part in increasing costs directly, due to the motor and fuel for operations, and indirectly, due to increasing costs of deliveries of pesticides and other products, additionally CalPERS retiree and medical costs are also set to rise. Other factors include low returns on investments due to the low interest rates offered.

Contacting the District’s Financial Management

This financial report is designed to provide the District’s constituents and stakeholders with a general overview of the District’s finances, and to show the District’s accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District Manager, Shasta Mosquito and Vector Control District, 19200 Latona Rd, Anderson, California, 96007.

Peter Bonkrude
District Manager

FINANCIAL SECTION

**STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE
SHEET**

*Shasta Mosquito and
Vector Control District*

June 30, 2012	General Fund	Capital Projects Fund	Total	Adjustments (Note 2)	Statement of Net Assets
ASSETS					
Cash and cash equivalents	\$ 2,412,834	\$ 842,565	\$ 3,255,399	\$ -	\$ 3,255,399
Accounts receivable	9,501	-	9,501	-	9,501
Due from other governments	61,661	-	61,661	-	61,661
Property tax receivable	93,064	-	93,064	-	93,064
Inventories	156,208	-	156,208	-	156,208
Other postemployment benefit asset	-	-	-	11,315	11,315
Nondepreciable capital assets	-	-	-	51,273	51,273
Depreciable capital assets - net	-	-	-	715,792	715,792
Total Assets	\$ 2,733,268	\$ 842,565	\$ 3,575,833	\$ 778,380	\$ 4,354,213
LIABILITIES AND FUND BALANCE					
Accounts payable	\$ 14,842	\$ -	\$ 14,842	\$ -	\$ 14,842
Deferred revenue	93,064	-	93,064	(93,064)	-
Compensated absences	-	-	-	115,037	115,037
Total Liabilities	107,906	-	107,906	21,973	129,879
FUND BALANCE					
Nonspendable	156,208	-	156,208	(156,208)	-
Committed	815,977	-	815,977	(815,977)	-
Assigned - capital projects	-	842,565	842,565	(842,565)	-
Unassigned	1,653,177	-	1,653,177	(1,653,177)	-
Total Fund Balance	2,625,362	842,565	3,467,927	(3,467,927)	-
Total Liabilities and Fund Balance	\$ 2,733,268	\$ 842,565	\$ 3,575,833		
NET ASSETS					
Invested in capital assets - net				767,065	767,065
Unrestricted				3,457,269	3,457,269
Total Net Assets				\$ 4,224,334	\$ 4,224,334

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

**STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES, AND CHANGES IN
FUND BALANCE**

*Shasta Mosquito and
Vector Control District*

<u>Year Ended June 30, 2012</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Assets</u>
REVENUES					
Taxes	\$ 1,007,824	\$ -	\$ 1,007,824	\$ -	\$ 1,007,824
Charges for current services	1,141,795	-	1,141,795	-	1,141,795
Homeowners property tax relief	18,866	-	18,866	-	18,866
Use of money and property	26,432	5,685	32,117	-	32,117
Other revenue	5,518	-	5,518	-	5,518
Total Revenues	\$ 2,200,435	\$ 5,685	\$ 2,206,120	\$ -	\$ 2,206,120
EXPENDITURES/EXPENSES					
Current:					
Salaries and benefits	\$ 1,599,275	\$ -	\$ 1,599,275	\$ (20,375)	\$ 1,578,900
Service and supplies	676,724	-	676,724	-	676,724
Utilities	15,355	-	15,355	-	15,355
Capital outlay	-	-	-	-	-
Depreciation	-	-	-	104,738	104,738
Total Expenditures/Expenses	2,291,354	-	2,291,354	84,363	2,375,717
Excess (deficiency) of revenues over (under) expenditures	(90,919)	5,685	(85,234)	85,234	-
Change in Net Assets	-	-	-	(169,597)	(169,597)
Fund Balance/Net Assets - Beginning of Year	2,716,281	836,880	3,553,161	840,770	4,393,931
Fund Balance/Net Assets - End of Year	\$ 2,625,362	\$ 842,565	\$ 3,467,927	\$ 756,407	\$ 4,224,334

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity The Shasta Mosquito and Vector Control District (the 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 Governmental Accounting Standards Board (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. Interfund 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 "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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Shasta Mosquito and Vector Control District

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.

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

Property Tax Receivable 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); 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.

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.

**NOTES TO THE FINANCIAL
STATEMENTS**

June 30, 2012

*Shasta Mosquito and
Vector Control District*

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.

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, and may be used at the discretion of the governing board to meet current expenses for any purpose.

Beginning with the year ended 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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Shasta Mosquito and Vector Control District

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.

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.

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.

Nondepreciable Capital Assets	\$ 51,273
Depreciable capital assets	\$ 2,293,994
Less: Accumulated depreciation	1,578,202
Depreciable Capital Assets - Net	\$ 715,792

**NOTES TO THE FINANCIAL
STATEMENTS**

June 30, 2012

*Shasta Mosquito and
Vector Control District*

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.

<u>Deferred revenue</u>	<u>\$ 93,064</u>
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In addition, some expenses such as compensated absences and other postemployment benefits (OPEB) 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.

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

<u>OPEB obligation (asset)</u>	<u>\$ (11,315)</u>
<u>Compensated absences</u>	<u>\$ 115,037</u>

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.

<u>Compensated absence expense</u>	<u>\$ 18,120</u>
<u>Other postemployment benefits expense</u>	<u>\$ 2,255</u>

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.

<u>Depreciation expense</u>	<u>\$ 104,738</u>
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3. CASH AND INVESTMENTS

The cash and investments as of June 30, 2012, are displayed on the statement of net assets as follows:

<u>Cash and cash equivalents</u>	<u>\$ 3,255,399</u>
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**NOTES TO THE FINANCIAL
STATEMENTS**

June 30, 2012

*Shasta Mosquito and
Vector Control District*

Deposits

At June 30, 2012, the carrying amounts of the deposits are summarized as follows:

Cash in county treasury	\$ 2,496,379
Total Deposits	\$ 2,496,379

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 2012 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 2012 audited financial statements for the County of Shasta, the County Treasury's Pooled Money Investment account's weighted average maturities was 687.69 days.

Risk Information

Interest rate risk is the risk that changes in interest rates that 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.

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.

**NOTES TO THE FINANCIAL
STATEMENTS**

June 30, 2012

*Shasta Mosquito and
Vector Control District*

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% 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% 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.

4. CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2012:

	Balance June 30, 2011	Additions	Transfers	Balance June 30, 2012
Nondepreciable capital assets:				
Land	\$ 51,273	\$ -	\$ -	\$ 51,273
CIP	141,953	-	(141,953)	-
Total Nondepreciable Capital Assets	\$ 193,226	\$ -	\$ (141,953)	\$ 51,273
Depreciable capital assets:				
Building and improvements	\$ 1,256,712	\$ -	\$ -	\$ 1,256,712
Furniture and equipment	359,932	-	141,953	501,885
Vehicles	535,397	-	-	535,397
Total Depreciable Capital Assets	2,152,041	-	141,953	2,293,994
Less: Accumulated depreciation	1,473,464	104,738	-	1,578,202
Total Depreciable Assets - Net	\$ 678,577	\$ (104,738)	\$ 141,953	\$ 715,792

5. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2012:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012	Due Within One Year
Compensated absences	\$ 133,157	\$ 115,191	\$ 133,311	\$ 115,037	\$ -

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, 2012, there were no material known amounts and, accordingly, no liability for compensated absences was included in the general fund at June 30, 2012. 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.

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.

Plan Descriptions and Provisions

All full-time employees participate in 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% of final compensation for each year of service credit.

Retirement after age 55 will increase the percentage rate to a maximum of 2.418% 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 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.

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 16.136%.

The contribution requirements of the plan members are established by state statutes. The District’s contributions to CalPERS for the fiscal years ended June 30, 2012, 2011, and 2010, were \$149,687, \$132,213, and \$122,832, respectively, and equaled 100% of the required contribution for each year.

**NOTES TO THE FINANCIAL
STATEMENTS**

June 30, 2012

*Shasta Mosquito and
Vector Control District*

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The District contracts for healthcare for its active and retired employees under the Public Employee Medical Hospital Care Act (PEMHCA) (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% 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 six active full-time employees who have attained retirement age and are eligible for postretirement health benefits and four retirees who receive postretirement health benefits. Additionally, the District has nine active full-time employees who could become eligible to receive postretirement health benefits if they continue to work at the District until retirement age.

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:

Annual required contribution	\$ 98,980
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB Cost	98,980
Contributions	101,235
Change in Net OPEB Obligation/Asset	2,255
Net OPEB Obligation/Asset - Beginning of Year	9,060
Net OPEB Obligation/Asset - End of Year	\$ 11,315

**NOTES TO THE FINANCIAL
STATEMENTS**

June 30, 2012

*Shasta Mosquito and
Vector Control District*

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012, 2011 and 2010, were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contributions</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB Obligation/Asset</u>
June 30, 2010	\$ 98,980	\$ 96,414	97.00%	\$ 7,727
June 30, 2011	\$ 98,980	\$ 100,313	101.00%	\$ 9,060
June 30, 2012	\$ 98,980	\$ 101,235	102.00%	\$ 11,315

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% 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 2012, the District contributed \$101,235 to the Plan.

The Districts funding status information is illustrated as follows:

	<u>July 1, 2009</u>
Actuarial accrued liability (AAL)	\$ 875,953
Actuarial value of plan assets	130,221
Unfunded Actuarial Accrued Liability (UAAL)	\$ 745,732
Funded ratio (actuarial value of plan assets/AAL)	14.87%
Covered payroll (active members)	\$ 876,785
UAAL as a Percentage of Covered Payroll	85.05%

As of June 30, 2012, the District has set aside approximately \$366,645 in an external trust fund and the fair value of the trust fund as of June 30, 2012, was approximately \$433,134.

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.

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%, with reduction to the ultimate rate of 4.5% after seven years.

Other Assumptions and Methods: The inflation rate was assumed to be 2.50%. A simplified version of the entry age actuarial cost method was used in the actuarial valuation. The UAAL is amortized over a 30-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.

8. SELF-INSURANCE

The District is a member of the Vector Control Joint Powers Agency (the JPA) 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 the 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 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, 2012, is dependent on future developments, District management believes that the aggregate premiums paid to the JPA are adequate to cover the District's losses through June 30, 2012, including incurred but not reported losses.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

Shasta Mosquito and Vector Control District

Total premiums paid to the JPA during the fiscal year ended June 30, 2012, totaled \$39,867 and \$39,527, 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.

VCJPA's audited condensed financial information for the year ended June 30, 2012, is presented below:

Total Assets	\$ 12,509,995
Total liabilities	\$ 7,321,246
Equity	5,188,749
Total Liabilities and Net Assets	\$ 12,509,995
Total revenue	\$ 4,134,961
Total expenditures	4,097,408
Net Increase in Equity	\$ 37,553

The cash balance includes \$759,020 of the excess reserves held by the JPA.

9. COMMITTED FUND BALANCE

The committed fund balance as of June 30, 2012, consisted 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	52,000
IT Equipment Replacement Fund	34,500
Revenue Stabilization Fund	104,477
Total	\$ 815,977

REQUIRED SUPPLEMENTARY INFORMATION SECTION

**STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND
ACTUAL – GENERAL FUND**

*Shasta Mosquito and
Vector Control District*

<u>Year Ended June 30, 2012</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Taxes	\$ 1,088,030	\$ 1,088,030	\$ 1,007,824	\$ (80,206)
Charges for current services	1,169,511	1,169,511	1,141,795	(27,716)
Homeowners property tax relief	19,000	19,000	18,866	(134)
Use of money and property	15,000	15,000	26,432	11,432
Other revenue	11,000	11,000	5,518	(5,482)
Total Revenues	<u>\$ 2,302,541</u>	<u>\$ 2,302,541</u>	<u>\$ 2,200,435</u>	<u>\$ (102,106)</u>
EXPENDITURES/EXPENSES				
Current:				
Salaries and benefits	\$ 1,600,251	\$ 1,600,251	\$ 1,599,275	\$ 976
Service and supplies	741,290	741,290	676,724	64,566
Utilities	16,000	16,000	15,355	645
Total Expenditures/Expenses	<u>2,357,541</u>	<u>2,357,541</u>	<u>2,291,354</u>	<u>66,187</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (55,000)</u>	<u>\$ (55,000)</u>	(90,919)	<u>\$ (35,919)</u>
Fund Balance - Beginning of Year			<u>2,716,281</u>	
Fund Balance - End of Year			<u>\$ 2,625,362</u>	

See the accompanying note to the required supplementary information.

**NOTE TO THE REQUIRED
SUPPLEMENTARY INFORMATION**

June 30, 2012

*Shasta Mosquito and
Vector Control District*

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.

OTHER REPORT SECTION

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
Shasta Mosquito and Vector Control District
Anderson, California

We have audited the basic financial statements of Shasta Mosquito and Vector Control District (the District) as of and for the year ended June 30, 2012 and have issued our report thereon dated February 22, 2013. 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

Management of the District is responsible for establishing and maintaining effective 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 opinion 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 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 the 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.

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*.

**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**

Continued

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

Matson and Isom

February 22, 2013
Redding, California

FINDINGS SECTION

SCHEDULE OF FINDINGS

June 30, 2012

*Shasta Mosquito and
Vector Control District*

**SECTION I FINDINGS
FINANCIAL STATEMENTS AUDIT**

None.

**SUMMARY SCHEDULE OF PRIOR
AUDIT FINDINGS**

June 30, 2012

*Shasta Mosquito and
Vector Control District*

AUDIT ADJUSTMENTS

(11-1)

Significant Deficiency

Condition

During our audit of the prior 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 recommended 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.

Current Status

No such adjustments were noted in the current year.