



# Shasta Mosquito and Vector Control District

## TABLE OF CONTENTS

June 30, 2015

---

	<b><u>Page Number</u></b>
Independent Auditors' Report	1
 <b>FINANCIAL SECTION</b>	
<b>Required Supplementary Information</b>	
Management's Discussion and Analysis	5
Statement of Net Position and Governmental Funds Balance Sheet	11
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balance	12
Notes to the Financial Statements	13
 <b>REQUIRED SUPPLEMENTARY INFORMATION SECTION</b>	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	30
Schedule of District's Proportionate Share of the Net Position Liability - CalPERS	31
Schedule of District Contributions - CalPERS	32
Schedule of Funding Progress for Other Postemployment Benefits	33
Note to the Required Supplementary Information	34
 <b>OTHER REPORT SECTION</b>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	36
 <b>FINDINGS SECTION</b>	
Schedule of Findings	39

## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

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 and for the year ended June 30, 2015; and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 from material misstatement.

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

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

## **INDEPENDENT AUDITORS' REPORT**

(Continued)

### ***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, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Effect of Adopting New Accounting Standards***

As discussed in note 1 to the basic financial statements, the District implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, for the fiscal year ended June 30, 2015. Our opinion is not modified with respect to this matter.

### ***Other Matters***

***Required Supplementary Information*** Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 to 10 and the required supplementary information on pages 30 through 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2016, 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 the internal control over financial reporting or on compliance.

**INDEPENDENT AUDITORS' REPORT**

(Continued)

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

KCae Jrom, LLP

March 11, 2016  
Redding, California

## **FINANCIAL SECTION**

# Shasta Mosquito and Vector Control District

## 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, 2015. Please read it in conjunction with the District's financial statements and accompanying notes to those financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's net position increased 3% or \$67,627 to \$2,014,010 in 2015 as a result of the years' operations.
- In 2015, the District's program revenues increased by 4% or \$46,918 to \$1,193,431 due an increase in the rate for benefit assessment area 1 and 2.
- In 2015, total general revenues from all sources increased by \$38,115.
- In 2015, total expenses decreased by \$269,942 due to a reduction in salaries and benefits.

### USING THIS FINANCIAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by the private sector companies. The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Activities. This statement measures the success of the District's operations over the past year and can be used to determine the District's net operating reserves and credit worthiness.

### DISTRICT ACTIVITIES

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."

# **Shasta Mosquito and Vector Control District**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

(Continued)

---

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

#### **Statement of Net Position and Statement of Activities**

One of the most important questions asked about the District's finances is, "Is our District better off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's net position and changes in them. Think of the District's net position, the difference between assets and liabilities, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating; one will need to position other non-financial factors however, such as changes in the District's property assessment charge to assess the overall health of the District.

### **GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

#### **Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance**

Governmental funds are used to account for essentially the same function 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 balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

### **OVERVIEW OF THIS ANNUAL REPORT**

This annual report includes the Independent Auditors' 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. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and information concerning the District's budget and compliance.

# Shasta Mosquito and Vector Control District

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

Statement of Net Position	(As Restated)		
	2015	2014	Change
<b>Assets</b>			
Cash and investments	\$ 3,187,273	\$ 3,163,546	\$ 23,727
Other current assets	167,260	112,248	55,012
Capital assets - net accumulated depreciation	642,512	670,609	(28,097)
<b>Total Assets</b>	\$ 3,997,045	\$ 3,946,403	\$ 50,642
<b>Deferred Outflows of Resources</b>	\$ 153,579	\$ 152,559	\$ 77,557
<b>Liabilities</b>			
Current liabilities	\$ 128,949	\$ 136,184	\$ (7,235)
Net pension liabilities	1,620,184	2,016,395	(396,211)
<b>Total Liabilities</b>	\$ 1,749,133	\$ 136,184	\$ (7,235)
<b>Deferred Inflows of Resources</b>	\$ 387,481		
<b>Net Position</b>			
Invested in capital assets	\$ 642,512	\$ 670,609	\$ (28,097)
Unrestricted	1,371,498	1,275,774	95,724
<b>Total Net Position</b>	\$ 2,014,010	\$ 1,946,383	\$ 67,627

The 2014 statement of net position was restated herein for GASB 68 (See footnote 1).

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$2,014,010 as of June 30, 2015. At the end of the fiscal year 2015, the District reflected a positive balance in its unrestricted net position of \$1,371,498 that may be utilized in future years.

Statement of Activities	2015	2014	Change
<b>Expenses</b>			
Mosquito and vector control operations	\$ 2,272,267	\$ 2,542,209	\$ (269,942)
<b>Program Revenues</b>	1,193,431	1,146,513	46,918
<b>General Revenues</b>	1,146,463	1,108,348	38,115
<b>Total Revenues</b>	2,339,894	2,254,861	85,033
<b>Change in Net Position</b>	67,627	287,348	(354,975)
<b>Net Position - Beginning of Period (As restated)</b>	1,946,383	4,097,567	(2,151,184)
<b>Net Position - End of Period</b>	\$ 2,014,010	\$ 3,810,219	\$ (1,796,209)

The 2014 change in net position was NOT restated herein for GASB 68, as the information was not available.

## Shasta Mosquito and Vector Control District

### MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)

The statement of activities shows how the District's net position changed during the fiscal year. In the case of the District, net position decreased by \$67,627 during the fiscal year ended June 30, 2015.

<b>Changes in Governmental Net Position</b>	<b>2015</b>		<b>2014</b>		<b>Change</b>
<b>Program Revenues</b>					
Charges for services - special benefit assessment	\$	1,193,431	\$	1,146,513	\$ 46,918
<b>Total Program Revenues</b>		<b>1,193,431</b>		<b>1,146,513</b>	<b>46,918</b>
<b>General Revenues</b>					
Property taxes		1,090,725		1,059,080	31,645
Homeowners property tax relief		15,207		15,508	(301)
Use of money and property		15,499		16,653	(1,154)
Other revenues		25,032		17,107	7,925
<b>Total General Revenues</b>		<b>1,146,463</b>		<b>1,108,348</b>	<b>38,115</b>
<b>Total Revenues</b>	\$	<b>2,339,894</b>	\$	<b>2,254,861</b>	\$ <b>85,033</b>

In 2015, the District's program revenues increased by 4%, or \$46,918 to \$1,193,431, due to an increase in the District benefit assessment area 1 and 2 rates. In 2015, total general revenues from all sources decreased \$38,115, due to an increase in property tax returns.

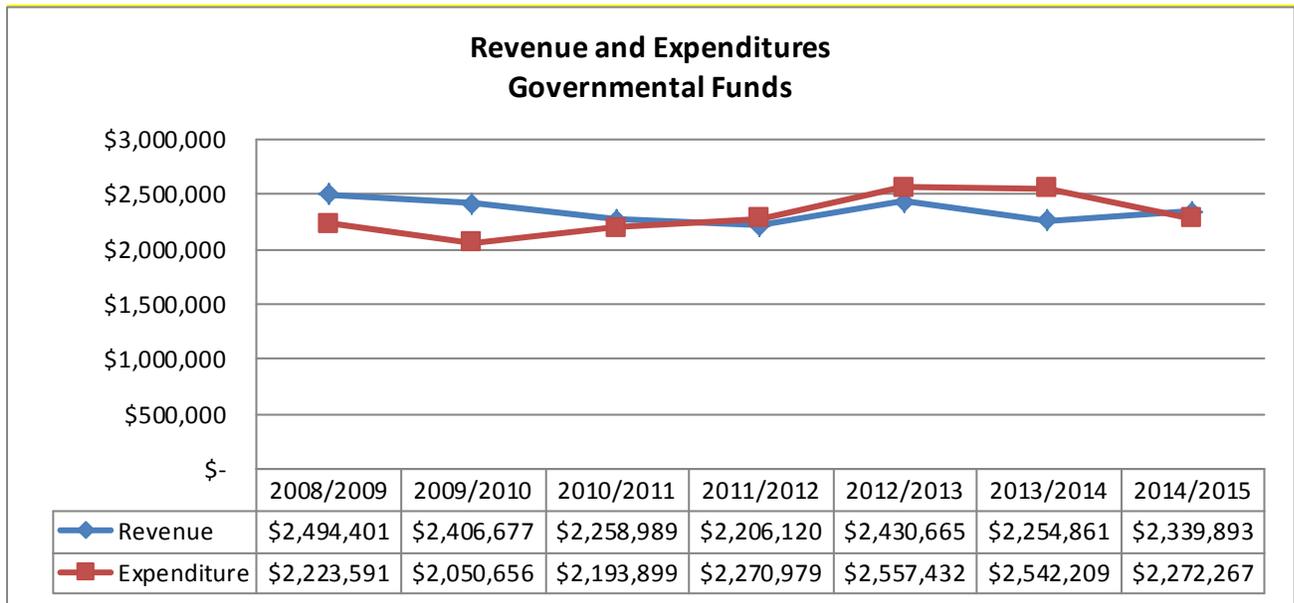
	<b>2015</b>		<b>2014</b>		<b>Change</b>
<b>Expenses</b>					
Mosquito and vector control operations:					
Salaries and benefits	\$	1,566,991	\$	1,769,285	\$ (202,294)
Service and supplies		614,131		643,801	(29,670)
Utilities		22,972		20,434	2,538
Capital outlay		-		672	(672)
Depreciation		68,173		108,017	(39,844)
<b>Total Expenses</b>	\$	<b>2,272,267</b>	\$	<b>2,542,209</b>	\$ <b>(269,942)</b>

In 2015, total expenses decreased by only \$269,942.

# Shasta Mosquito and Vector Control District

## MANAGEMENT’S DISCUSSION AND ANALYSIS

(Continued)



### General Fund Budgetary Highlights

The Shasta Mosquito and Vector Control District’s budget year starts July 1 ending June 30<sup>th</sup> the following year. Annual preparation for the budget begins in January and continues 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.

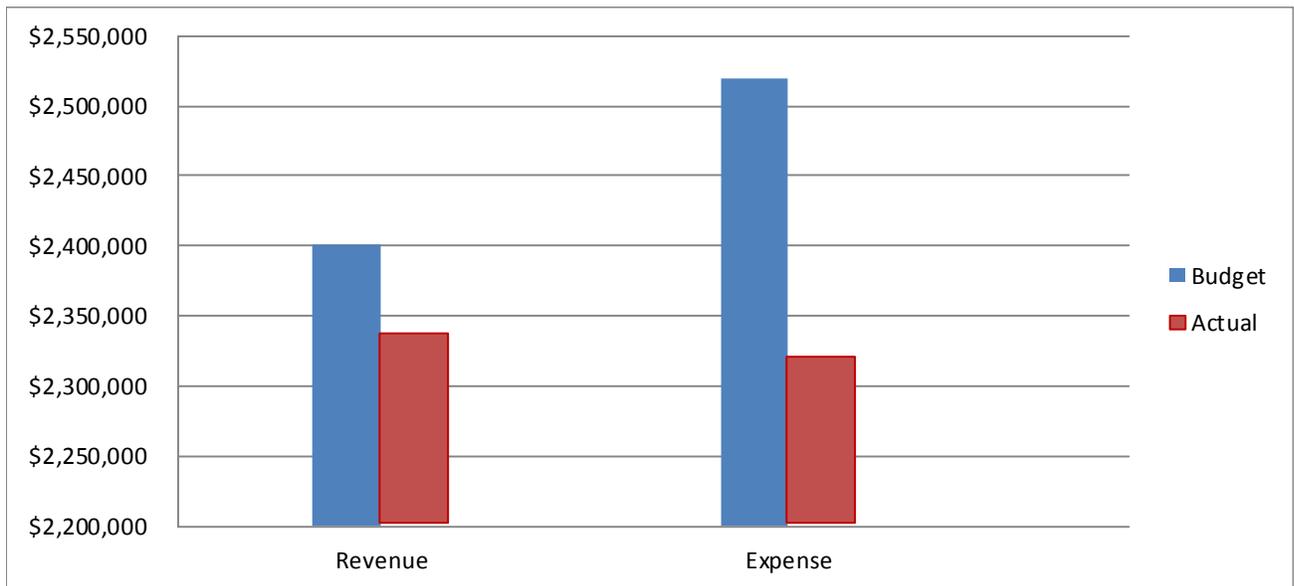
The District Manager prepares the budget document and serves as the focal point for issuing guidelines, responding to questions, and along with the Administrative Office Manager (AOM), reviewing departmental budget requests. The District Manager, along with the AOM, works to prepare and present the budget to the Finance Committee. The Finance Committee is comprised of two Board members 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.

The final actual expenditures for the General Fund at year-end were \$199,828 less than the budgeted amount. Actual revenues were less than the anticipated budget by \$65,268. See page 25 for the District’s Budget to Actual Schedule.

# Shasta Mosquito and Vector Control District

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Continued)



### Capital Assets

Detail on capital assets can be found in Note 4 of the financial statements.

### 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 Position. Compensated absences accounted for the largest long-term liability for the District year ending June 30, 2015; \$110,438. Additionally, the District currently carries a defined benefit post-employment healthcare plan and corresponding post-employment benefit obligation.

### Conditions Affecting Current Financial Position

Management is unaware of any conditions, which could have a significant impact on the District's current financial position, net position or operating results in terms of past, present and future.

### Requests for Information

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the District Manager at the Shasta Mosquito and Vector Control District, 19200 Latona Rd., Anderson, CA 96007 or (530) 365-3768.

# Shasta Mosquito and Vector Control District

## STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2015	General Fund	Capital Projects Fund	Total	Adjustments (Note 2)	Statement of Net Position
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,334,892	\$ 852,381	\$ 3,187,273	\$ -	\$ 3,187,273
Accounts receivable	5,222	-	5,222	-	5,222
Due from other governments	42,592	-	42,592	-	42,592
Inventories	55,781	-	55,781	-	55,781
Nondepreciable capital assets	-	-	-	51,273	51,273
Depreciable capital assets - net	-	-	-	591,239	591,239
Other postemployment benefit asset	-	-	-	63,665	63,665
<b>TOTAL ASSETS</b>	<b>\$ 2,438,487</b>	<b>\$ 852,381</b>	<b>\$ 3,290,868</b>	<b>\$ 706,177</b>	<b>\$ 3,997,045</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				<b>\$ 153,579</b>	<b>\$ 153,579</b>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>Liabilities</b>					
Accounts payable	\$ 18,511	\$ -	\$ 18,511	\$ -	\$ 18,511
Compensated absences	-	-	-	110,438	110,438
Net pension liability	-	-	-	1,620,184	1,620,184
<b>Total Liabilities</b>	<b>18,511</b>	<b>-</b>	<b>18,511</b>	<b>\$ 1,730,622</b>	<b>\$ 1,749,133</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				<b>\$ 387,481</b>	<b>\$ 387,481</b>
<b>Fund Balance</b>					
Nonspendable	55,781	-	55,781		
Committed	815,477	-	815,477		
Assigned - capital projects	-	852,381	852,381		
Unassigned	1,548,718	-	1,548,718		
<b>Total Fund Balance</b>	<b>2,419,976</b>	<b>852,381</b>	<b>3,272,357</b>		
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 2,438,487</b>	<b>\$ 852,381</b>	<b>\$ 3,290,868</b>		
<b>NET POSITION</b>					
Investment in capital assets				\$ 642,512	\$ 642,512
Unrestricted				1,371,498	1,371,498
<b>TOTAL NET POSITION</b>				<b>\$ 2,014,010</b>	<b>\$ 2,014,010</b>

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

**Shasta Mosquito and Vector Control District**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCE**

Year Ended June 30, 2015	General Fund	Capital Projects Fund	Total	Adjustments (Note 2)	Statement of Net Activities
<b>Revenues</b>					
Taxes	\$ 1,090,725	\$ -	\$ 1,090,725	\$ -	\$ 1,090,725
Charges for current services	1,193,431	-	1,193,431	-	1,193,431
Homeowners property tax relief	15,207	-	15,207	-	15,207
Use of money and property	11,178	4,321	15,499	-	15,499
Other revenue	25,032	-	25,032	-	25,032
<b>Total Revenues</b>	<b>2,335,573</b>	<b>4,321</b>	<b>2,339,894</b>	<b>-</b>	<b>2,339,894</b>
<b>Expenditures/Expenses</b>					
Current:					
Salaries and benefits	1,641,634	-	1,641,634	(74,643)	1,566,991
Service and supplies	614,131	-	614,131	-	614,131
Utilities	22,972	-	22,972	-	22,972
Capital outlay	40,076	-	40,076	(40,076)	-
Depreciation	-	-	-	68,173	68,173
<b>Total Expenditures/Expenses</b>	<b>2,318,813</b>	<b>-</b>	<b>2,318,813</b>	<b>(46,546)</b>	<b>2,272,267</b>
Other Financing Sources (Uses)					
Transfers in	35,000	-	35,000	-	35,000
Transfers out	-	(35,000)	(35,000)	-	(35,000)
<b>Total Other Financing Sources (Uses)</b>	<b>35,000</b>	<b>(35,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Changes in Fund Balance</b>	<b>51,760</b>	<b>(30,679)</b>	<b>21,081</b>	<b>(21,081)</b>	<b>-</b>
<b>Change in Net Position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ 67,627</b>	<b>67,627</b>
<b>Fund Balance/Net Position- Beginning of Year (As Previously Reported)</b>	<b>2,368,216</b>	<b>883,060</b>	<b>3,251,276</b>		<b>3,810,219</b>
<b>Cumulative Effect of Change in Accounting Principle</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>(1,863,836)</b>
<b>Net Position - Beginning of Year (As Restated)</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>1,946,383</b>
<b>Fund Balance/Net Position - End of Year</b>	<b>\$ 2,419,976</b>	<b>\$ 852,381</b>	<b>\$ 3,272,357</b>		<b>\$ 2,014,010</b>

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

# Shasta Mosquito and Vector Control District

## NOTES TO THE 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 position 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.

# Shasta Mosquito and Vector Control District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

---

**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. The Organization maintains its cash accounts in depositories that are insured by the Federal Deposit Insurance Corporation up to \$250,000 per account.

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

**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:

June 30, 2015

---

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 \$5,000.

**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 position 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.

**Pension** For purposes of measuring the net pension liability, deferred outflows of resources/deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California Public Employees' Retirement System (CalPERS) and additions to/deductions from CalPERS's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable with the benefit terms. Investments are reported at fair value.

# Shasta Mosquito and Vector Control District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

---

***Deferred Outflows/Inflows of Resources*** In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period, and as such will not be recognized as an outflow of resources (expense/expenditures) until then. The District only has one item that qualifies for reporting in this category. The deferred outflows of resources related to pension represents a reclassification of current year's pension contributions, all of which will be amortized during fiscal year 2015-16, per accounting pronouncement GASB Statement No. 71.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s), and as such, will not be recognized as an inflow of resources (revenue) until that time. The District only has one item that qualifies for reporting in this category, related to pension, which is the difference between the projected and actual earnings on the pension plan investments.

***Net Position/Fund Balance*** Net position represents the difference between assets and liabilities. The District's net position is classified as follows:

*Investment 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 investment in capital assets.

*Unrestricted:* Unrestricted net position represents 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.

# Shasta Mosquito and Vector Control District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

---

*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.

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

**Interfund Transfers** Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

# Shasta Mosquito and Vector Control District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

**Change in Accounting Principle** Net position as of July 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, as amended by GASB Statement No. 71.

June 30, 2015

<b>Net Position as Previously Reported - June 30, 2014</b>	\$ 3,810,219
<b>Cumulative Effect of Change in Accounting Principle</b>	
Net pension liability (measurement date as of June 30, 2013)	(2,016,395)
<b>Deferred Outflows of Resources</b>	
District contributions made during fiscal year 2014	152,559
<b>Total Cumulative Effect of Change in Accounting Principle</b>	(1,863,836)
<b>Net Position as Restated - July 1, 2014</b>	\$ 1,946,383

## 2. RECONCILIATION OF GOVERNMENT-WIDE AND GOVERNMENTAL FUND FINANCIAL STATEMENTS

Amounts reported in the statement of net position are different from the governmental funds balance sheet because:

Governmental funds report capital outlay as expenditures when incurred. However, in the statement of net position, 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.

June 30, 2015

<b>Nondepreciable Capital Assets</b>	\$ 51,273
Depreciable capital assets	\$ 2,423,818
Less: Accumulated depreciation	1,832,579
<b>Depreciable Capital Assets - Net</b>	\$ 591,239

Some expenses such as compensated absences, pension liabilities, deferred inflows and outflows, 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.

# Shasta Mosquito and Vector Control District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The following reflects the assets and liabilities for expenses that will not be paid with current resources:

June 30, 2015

OPEB obligation (asset)	\$	63,665
Deferred outflows of resources	\$	153,579
Compensated absences	\$	(110,438)
Deferred inflows of resources	\$	(387,481)
Net pension liabilities	\$	(1,620,184)

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.

June 30, 2015

Compensated absence expense	\$	(6,388)
Difference in pension expenses	\$	(9,750)
Other postemployment benefits expense	\$	(58,505)

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.

June 30, 2015

Capital outlay	\$	(40,076)
Depreciation expense	\$	68,173

### 3. CASH AND INVESTMENTS

The cash and investments are displayed on the statement of net position as follows:

June 30, 2015

Cash and cash equivalents	\$	3,187,273
---------------------------	----	-----------

# Shasta Mosquito and Vector Control District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

---

### Deposits

All of the District's deposits in financial institutions are entirely insured or collateralized. The carrying amounts of the deposits are summarized as follows:

June 30, 2015

---

Cash in County treasury	\$	1,945,898
Cash in bank	\$	800,000

---

The majority of the 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 2015 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 2015 audited financial statements for the County of Shasta, the County Treasury's Pooled Money Investment account's weighted average maturities was 475.29 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.

# Shasta Mosquito and Vector Control District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

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, 2015:

	Balance June 30, 2014		Additions		Deletions		Balance June 30, 2015
<b>Nondepreciable Capital Assets</b>							
Land	\$ 51,273	\$	-	\$	-	\$	51,273
<b>Depreciable Capital Assets</b>							
Building and improvements	\$ 1,317,216	\$	626	\$	-	\$	1,317,216
Furniture and equipment	571,940		39,450		-		571,940
Vehicles	534,662		-		-		534,662
<b>Total Depreciable Capital Assets</b>	<b>2,423,818</b>		<b>40,076</b>		<b>-</b>		<b>2,423,818</b>
Less: Accumulated depreciation	1,832,579		68,173		-		1,832,579
<b>Total Depreciable Assets - Net</b>	<b>\$ 591,239</b>	<b>\$</b>	<b>(28,097)</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>591,239</b>

### 5. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2015:

	Balance June 30, 2014		Additions		Deletions		Balance June 30, 2015	Due Within One Year
Compensated absences	\$ 116,826	\$	98,984	\$	(105,372)	\$	110,438	-

#### 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, 2015, there were no material known amounts, and accordingly, no liability for compensated absences was included in the General Fund at June 30, 2015. The amount is included in the government-wide statement of net position as a long-term liability, with none of the balance expected to be due within the next year.

# Shasta Mosquito and Vector Control District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

---

### 6. PENSION

#### California Public Employees' Retirement System

##### *Plan Description 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 hired on or before December 31, 2012: Employees shall receive a 2% at 55 retirement formula benefit from the CalPERS Retirement Plan. Effective January 1, 2013, employees shall pay 100% of the member contribution, which is 7.0% of payroll on a pretax basis in accordance with applicable IRC.

Employees hired on or after January 1, 2013: Employees shall receive a 2% at 62 retirement formula benefit from the CalPERS Retirement Plan based upon the highest 36 months average salary. Employees shall pay 100% of the member contribution.

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, 400 Q Street, Sacramento, California 95811.

##### *Funding Policy*

Active plan members are required to contribute 7.0% of their annual covered salary.

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 16.899%.

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, 2014, 2013, and 2012, were \$149,452, \$149,643, and \$149,687, respectively, and equaled 100% of the required contribution for each year.

##### *Employees Covered*

The following employees were covered by the benefit terms of the plan:

June 30, 2015

---

Inactive employees or beneficiaries currently receiving benefits	9
Active employees	14
<b>Total</b>	<b>23</b>

---

# Shasta Mosquito and Vector Control District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a net pension liability of \$1,620,184 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating districts and the state, actuarially determined. At June 30, 2014, the District's proportion was 0.026%.

For the year ended June 30, 2015, the District recognized pension expense of \$138,450. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

June 30, 2015	Deferred Outflows Resources	Deferred Inflows Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 387,481
Changes in proportion and difference between District contributions and proportionate share of contributions	5,379	-
District contributions subsequent to the measurement date	148,200	-
<b>Total</b>	<b>\$ 153,579</b>	<b>\$ 387,481</b>

The \$148,200 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2016	\$ (94,950)
2017	(94,950)
2018	(95,331)
2019	(96,871)
<b>Total</b>	<b>\$ (382,102)</b>

# Shasta Mosquito and Vector Control District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

---

### Actuarial Assumptions

The total pension liability in the June 30, 2013, actuarial valuation for CalPERS was determined using the following actuarial assumptions, applied to all periods included in the measurement:

---

Valuation date	June 30, 2013
Measurement date	June 30, 2014
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Discount rate	7.50%
Inflation	2.75%
Salary increases	Varies by entry age and service
Investment rate of return	7.50% net of pension plan investment and administrative expenses; includes inflation

---

CalPERS uses custom mortality tables to best fit the patterns of mortality among its members. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the period July 1, 1997, through June 30, 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

# Shasta Mosquito and Vector Control District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

Asset Class	Target Allocation	Rate of Return Years 1-10	Rate of Return Years 11+
Global equity	47%	5.25%	5.71%
Global fixed income	19%	0.99%	2.43%
Private equity	6%	0.45%	3.36%
Real estate	12%	6.83%	6.95%
Inflation sensitive	11%	4.50%	5.13%
Infrastructure and forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
<b>Total</b>	100%		

### Discount Rate

The discount rates used to measure the total pension liability was 7.50%. To determine whether the municipal bond rate should be used in the calculation of a discount rate, the amortization and smoothing periods recently adopted by CalPERS were utilized. A projection of expected benefit payments and contributions was performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

June 30, 2015	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Decrease (8.50%)
District's proportionate share of the net pension liability	\$ 2,583,489	\$ 1,620,184	\$ 820,732

### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in CalPERS' separately issued Comprehensive Annual Financial Report (CAFR).

# Shasta Mosquito and Vector Control District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

---

### 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 a retiree benefit stipend in accordance with the MOU up to 80% of the cost of health insurance between 60 and the age of Medicare.

Currently, the District has 14 active full-time employees who are eligible for postretirement health benefits and eight retirees who receive postretirement health benefits.

#### 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 costs 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:

June 30, 2015

Annual required contribution	\$	23,180
Interest on net OPEB obligation		-
Adjustment to annual required contribution		-
<b>Annual OPEB Cost</b>		<b>23,180</b>
Contributions		81,685
<b>Change in Net OPEB (Obligation) Asset</b>		<b>58,505</b>
<b>Net OPEB (Obligation) Asset - Beginning of Year</b>		<b>5,160</b>
<b>Net OPEB (Obligation) Asset - End of Year</b>	\$	<b>63,665</b>

# Shasta Mosquito and Vector Control District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015, 2014, and 2013, were as follows:

Year Ended	Annual OPEB Cost	Actual Employer Contributions	Percentage Contributed	Net Ending OPEB (Obligation) Asset
June 30, 2013	\$ 122,011	\$ 109,198	90.00%	\$ (1,498)
June 30, 2014	\$ 124,390	\$ 131,048	105.00%	\$ 5,160
June 30, 2015	\$ 23,180	\$ 81,685	352.00%	\$ 63,665

### 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 2015, the District contributed \$81,685 to the Plan.

As of June 30, 2015, the District has set aside approximately \$530,895 in an external trust fund and the fair value of the trust fund as of June 30, 2015, was approximately \$778,972.

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 includes 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.

# Shasta Mosquito and Vector Control District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

*Assumptions About Healthcare Costs:* The 2011 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 8%, with reduction to the ultimate rate of 4.50% 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, 2015, 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, 2015, including incurred but not reported losses.

Total premiums paid to the JPA during the year ended June 30, 2015, totaled \$57,380 and \$25,080, respectively, for workers' compensation and liability insurance. Losses paid under either program during the fiscal year were not in excess of self-insured retention amounts paid in prior years.

JPA's audited condensed financial information is presented below:

June 30, 2015	
<b>Total Assets</b>	\$ 14,855,734
Total liabilities	\$ 9,783,489
Equity	5,072,245
<b>Total Liabilities and Net Assets</b>	\$ 14,855,734
Total revenue	\$ 3,785,270
Total expenditures	4,036,282
<b>Net Increase in Equity</b>	\$ (251,012)

The cash balance includes \$441,175 of the excess reserves held by the JPA.

# Shasta Mosquito and Vector Control District

## NOTES TO THE FINANCIAL STATEMENTS

(Continued)

---

### 9. COMMITTED FUND BALANCE

The committed fund balance consisted of the following:

June 30, 2015

Public Health Emergency Fund	\$	300,000
Facility Improvement Fund		200,000
Bio-Control Development Fund		50,000
Existing Facilities Renovation Fund		87,000
Fixed Asset Replacement Fund		70,000
IT Equipment Replacement Fund		65,000
Revenue Stabilization Fund		43,477
<b>Total</b>	<b>\$</b>	<b>815,477</b>

### 10. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement will improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in GASB Concepts Statement No. 6, *Measurement of Elements of Financial Statements*, and other relevant literature. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2015, will have on the District's financial statements, if any.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to OPEB. GASB Statement No. 75 replaces the requirements of GASB Statement No. 45. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2017, will have on the District's financial statements, if any.

**REQUIRED SUPPLEMENTARY INFORMATION SECTION**

## Shasta Mosquito and Vector Control District

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

Year Ended June 30, 2015	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Taxes	\$ 1,137,449	\$ 1,137,449	\$ 1,090,725	\$ (46,724)
Charges for current services	1,231,992	1,231,992	1,193,431	(38,561)
Homeowners property tax relief	16,000	16,000	15,207	(793)
Use of money and property	12,000	12,000	11,178	(822)
Other revenue	3,400	3,400	25,032	21,632
<b>Total Revenues</b>	<b>2,400,841</b>	<b>2,400,841</b>	<b>2,335,573</b>	<b>(65,268)</b>
<b>Expenditures/Expenses</b>				
Current:				
Salaries and benefits	1,768,394	1,768,394	1,641,634	126,760
Service and supplies	688,247	688,247	614,131	74,116
Utilities	18,000	18,000	22,972	(4,972)
Capital outlay	44,000	44,000	40,076	3,924
<b>Total Expenditures/Expenses</b>	<b>2,518,641</b>	<b>2,518,641</b>	<b>2,318,813</b>	<b>199,828</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	62,800	62,800	35,000	27,800
Transfers out	55,000	55,000	-	55,000
<b>Total Other Financing Sources (Uses)</b>	<b>117,800</b>	<b>117,800</b>	<b>35,000</b>	<b>82,800</b>
<b>Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>51,760</b>	<b>\$ 51,760</b>
<b>Fund Balance - Beginning of Year</b>			<b>2,368,216</b>	
<b>Fund Balance - End of Year</b>			<b>\$ 2,419,976</b>	

See the accompanying note to the required supplementary information.

## Shasta Mosquito and Vector Control District

### SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Year Ended June 30, 2015

---

District's portion of the net pension liability (asset)		0.026%
District's proportionate share of the net pension liability (asset)	\$	1,620,184
District's covered-employee payroll	\$	960,292
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		168.72%
Plan fiduciary net position as a percentage of the total pension liability		77.69%

---

*See the accompanying note to the required supplementary information.*

**Shasta Mosquito and Vector Control District**

## SCHEDULE OF DISTRICT CONTRIBUTIONS – CALIFORNIA PUBLIC EMPLOYEES’ RETIREMENT SYSTEM

Year Ended June 30, 2015

---

Contractually required contribution	\$	152,559
Contributions in relation to the contractually required contribution		(152,559)
<hr/>		
Contributions deficiency (excess)	\$	-
<hr/>		
District's covered-employee payroll	\$	960,292
Contributions as a percentage of covered-employee payroll		15.89%

---

*See the accompanying note to the required supplementary information.*

## Shasta Mosquito and Vector Control District

### SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS

<b>Actuarial Valuation Dates</b>	<b>July 1, 2009</b>		<b>July 1, 2011</b>		<b>July 1, 2013</b>	
Actuarial accrued liability (AAL)	\$	875,953	\$	1,153,842	\$	778,113
Actuarial value of plan assets		130,221		357,763		560,238
<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>\$</b>	<b>745,732</b>	<b>\$</b>	<b>796,079</b>	<b>\$</b>	<b>217,875</b>
Funded ratio (actuarial value of plan assets/AAL)		14.87%		31.00%		72.00%
Covered payroll (active members)	\$	876,785	\$	1,042,812	\$	1,043,058
UAAL as a percentage of covered payroll		85.05%		76.34%		20.89%

## **Shasta Mosquito and Vector Control District**

### **NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION**

---

#### **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.

#### **EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended June 30, 2015, expenditures exceeded appropriations for utilities. These expenditures were funded by budget savings in other expenditures.

#### **CHANGES OF ASSUMPTIONS**

##### **California Public Employees' Retirement System**

In February 2014, the CalPERS Board adopted new actuarial assumptions. The most significant change to the actuarial assumptions that the Board adopted was the inclusion of future mortality improvement. The actuarial assumptions adopted by the Board are designed to ensure greater sustainability and soundness of the defined benefit pension plans, and will be better at predicting future experience resulting in more secure retirement benefits in the decades to come. The current experience study was based on demographic CalPERS data for years 1997 to 2011. The study focused on recent patterns of termination, death, disability, retirement and salary increases. These new assumptions were reflected in the total pension liabilities as of June 30, 2013. The 2013 liabilities were rolled forward to the measurement date of June 30, 2014, using standard update procedures.

**OTHER REPORT SECTION**

**INDEPENDENT AUDITORS' 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, 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, the financial statements of the governmental activities and each major fund of Shasta Mosquito and Vector Control District (the District) as of and for the year ended June 30, 2015; and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 11, 2016.

***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITORS' 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)

***Compliance and Other Matters***

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

**Purpose of this Report**

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

KCae Team, LLP

March 11, 2016  
Redding, California

## **FINDINGS SECTION**

**Shasta Mosquito and Vector Control District**

**SCHEDULE OF FINDINGS**

June 30, 2015

---

**SECTION I FINDINGS**

**FINANCIAL STATEMENTS AUDIT**

None.