

**SAN JOAQUIN COUNTY MOSQUITO  
AND VECTOR CONTROL DISTRICT**

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

**JUNE 30, 2016**



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**CROCE, SANGUINETTI, & VANDER VEEN**

INC.

**CERTIFIED PUBLIC ACCOUNTANTS**

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CROCE, SANGUINETTI, & VANDER VEEN<sup>INC.</sup>

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report

To the Board of Trustees

### San Joaquin County Mosquito and Vector Control District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **San Joaquin County Mosquito and Vector Control District** (the District) as of and for the year ended June 30, 2016, 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

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 an opinion 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. 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.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of **San Joaquin County Mosquito and Vector Control District** as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 42 through 46 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.

*Croce, Sanguinetti, & Vander Veen, Inc.*

CROCE, SANGUINETTI, & VANDER VEEN, INC.

Certified Public Accountants

Stockton, California

January 4, 2017

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

# SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

## Management's Discussion and Analysis

June 30, 2016

The following is a narrative overview and analysis by the management of San Joaquin County Mosquito and Vector Control District (the District) of the financial activities of the District for the fiscal year ended June 30, 2016. Readers should consider the information presented here in conjunction with the basic financial statements.

### Financial Highlights

- Total assets of the District were \$16,161,795 with cash and cash equivalents at \$12,566,448 and capital assets at \$2,355,149, net of accumulated depreciation.
- Total liabilities were \$9,202,829, including net pension liability of \$8,099,359, compensated absences of \$540,776 and accounts payable of \$207,387.
- Assets and deferred outflows of the District exceeded liabilities and deferred inflows at the close of the most recent fiscal year by \$8,486,397 (net position). Of this amount, \$6,131,248 (unrestricted) may be used to meet the District's ongoing obligations and \$2,355,149 represents the District's net investment in capital assets.
- The District's change in net position was \$1,297,206 for fiscal year 2015-2016, which was an increase of \$455,589 from the prior year.
- Total general revenues for the fiscal year 2015-2016 were \$8,304,513. This figure is \$976,112 greater than the prior year, due primarily to an increase in property taxes of \$280,101 and the gain on sale of assets of \$664,752.
- Total operating expenses for the fiscal year 2015-2016 were \$7,072,311. This figure is 9.03% greater than the prior year.

### Overview of the Financial Statements

Management's Discussion and Analysis introduces the District's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. This report includes required supplementary information.

### Government-wide Financial Statements

The District's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

(Continued)

# SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

## Management's Discussion and Analysis (Continued)

June 30, 2016

The first of these government-wide statements is the *Statement of Net Position*. This is the District-wide statement of position presenting information that includes all of the District's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

The second government-wide statement is the *Statement of Activities* which reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

### ***Fund Financial Statements***

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The District uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the District's most significant funds rather than the District as a whole. Major funds are separately reported.

*Governmental funds* are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financial requirements of governmental programs and the commitment of spendable resources for the near-term.

### ***Notes to the Basic Financial Statements***

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the basic financial statements begin immediately following the basic financial statements.

### **Financial Analysis**

#### *Net Position*

As year to year financial information is accumulated in a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the District as a whole.

(Continued)

**SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**

**Management's Discussion and Analysis (Continued)**

June 30, 2016

The following table provides a summary of the District's net position:

	<b>Net Position</b>			
	June 30, <u>2016</u>	June 30, <u>2015</u>	Amount <u>change</u>	Percent <u>change</u>
Cash and cash equivalents	\$12,566,448	\$11,676,626	\$ 889,822	7.6
Other assets	1,240,198	688,932	551,266	80.0
Capital assets, net	<u>2,355,149</u>	<u>2,248,183</u>	<u>106,966</u>	4.8
Total assets	<u>16,161,795</u>	<u>14,613,741</u>	<u>1,548,054</u>	10.6
Deferred outflows of resources	<u>1,643,620</u>	<u>691,385</u>	<u>952,235</u>	137.7
Other liabilities	405,922	421,268	(15,346)	(3.6)
Long-term liabilities	<u>8,796,907</u>	<u>7,685,801</u>	<u>1,111,106</u>	14.5
Total liabilities	<u>9,202,829</u>	<u>8,107,069</u>	<u>1,095,760</u>	13.5
Deferred inflows of resources	<u>116,189</u>	<u>8,866</u>	<u>107,323</u>	1,210.5
Net investment in capital assets	2,355,149	2,248,183	106,966	4.8
Unrestricted - accrued employee leave	115,000	130,000	(15,000)	(11.5)
Unrestricted - capital assets preservation	460,000	420,000	40,000	9.5
Unrestricted - contingencies	1,167,370	1,135,908	31,462	2.8
Unrestricted - public health emergencies	1,500,000	1,500,000	-	-
Unrestricted - undesignated	<u>2,888,878</u>	<u>1,755,100</u>	<u>1,133,778</u>	64.6
Total net position, end of year	<u>\$ 8,486,397</u>	<u>\$ 7,189,191</u>	<u>\$ 1,297,206</u>	18.0

The District's net position increased by \$1,297,206 as compared to the \$5,291,952 decrease in net position in the prior year. This is due to the gain on the sale of the Lodi-Beckman Road property during the year, as well as an increase in property tax revenues during the year. During the prior year, the District recorded the net pension liability and the deferred outflows and inflows related to the District's pension plan in order to comply with GASB Statement No. 68.

(Continued)



**SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**

**Management's Discussion and Analysis (Continued)**

June 30, 2016

Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the District's changes in net position.

**Changes in Net Position**

	June 30, <u>2016</u>	June 30, <u>2015</u>	Amount <u>change</u>	Percent <u>change</u>
<b>Revenues</b>				
Property taxes	\$ 4,440,266	\$ 4,160,165	\$ 280,101	6.7
Property assessments	2,991,070	2,968,196	22,874	0.8
Gain on sale of assets	664,752	2,051	662,701	32,311.1
Property tax relief	88,211	80,661	7,550	9.4
Investment income	78,574	28,202	50,372	178.6
Grant reimbursements	65,168	-	65,168	100.0
Reimbursements and rebates	38,805	89,056	(50,251)	(56.4)
Other revenues	<u>2,835</u>	<u>70</u>	<u>2,765</u>	3,950.0
Total revenues	<u>8,369,681</u>	<u>7,328,401</u>	<u>1,041,280</u>	14.2
<b>Expenditures</b>				
Operations	7,072,311	6,486,784	585,527	9.0
Interest on long-term debt	<u>164</u>	<u>-</u>	<u>164</u>	100.0
Total expenditures	<u>7,072,475</u>	<u>6,486,784</u>	<u>585,691</u>	9.0
<b>Change in net position</b>	1,297,206	841,617	455,589	54.1
<b>Net position, beginning of year</b>	<u>7,189,191</u>	<u>6,347,574</u>	<u>841,617</u>	13.3
<b>Net position, end of year</b>	<u>\$ 8,486,397</u>	<u>\$ 7,189,191</u>	<u>\$ 1,297,206</u>	18.0

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# SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

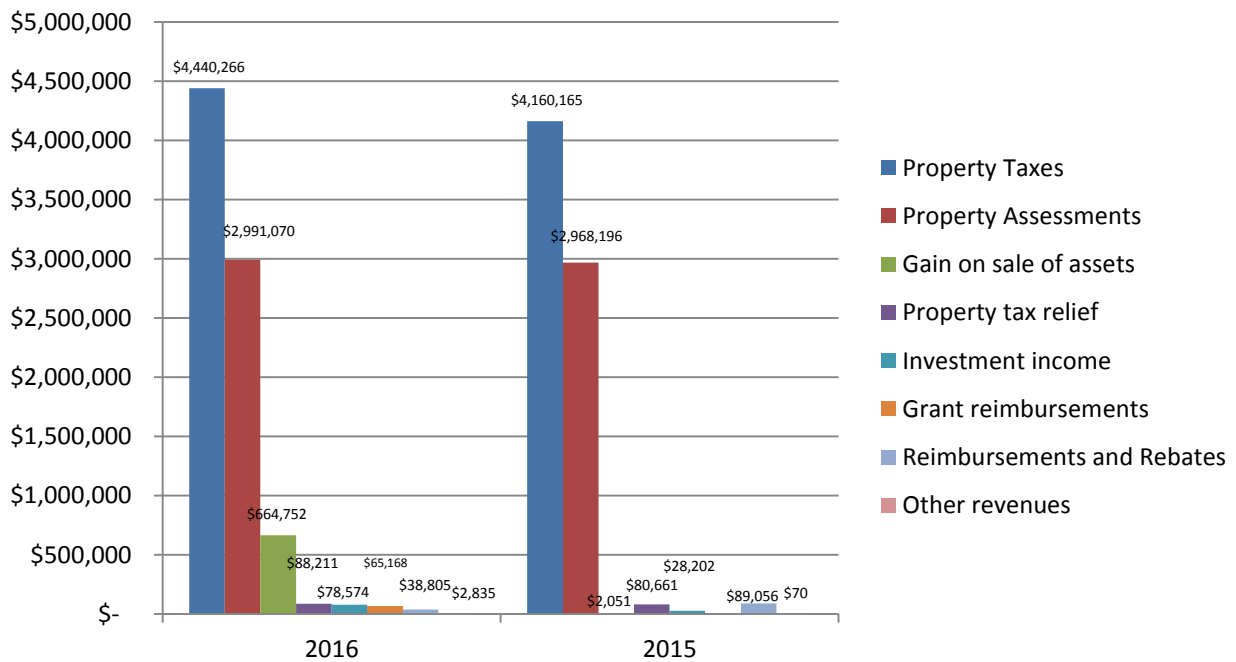
## Management's Discussion and Analysis (Continued)

June 30, 2016

Analysis of the more significant variances in revenues follows:

- Property taxes have increased \$280,101, which is attributable to the increase in the number of parcels subject to property tax and improvements in property values from the prior year.
- Gain on sale of assets have increased \$664,752 due to the sale of the Lodi-Beckman Road property during the year ended June 30, 2016.

**Revenues  
FY 2016 & FY 2015**



(Continued)

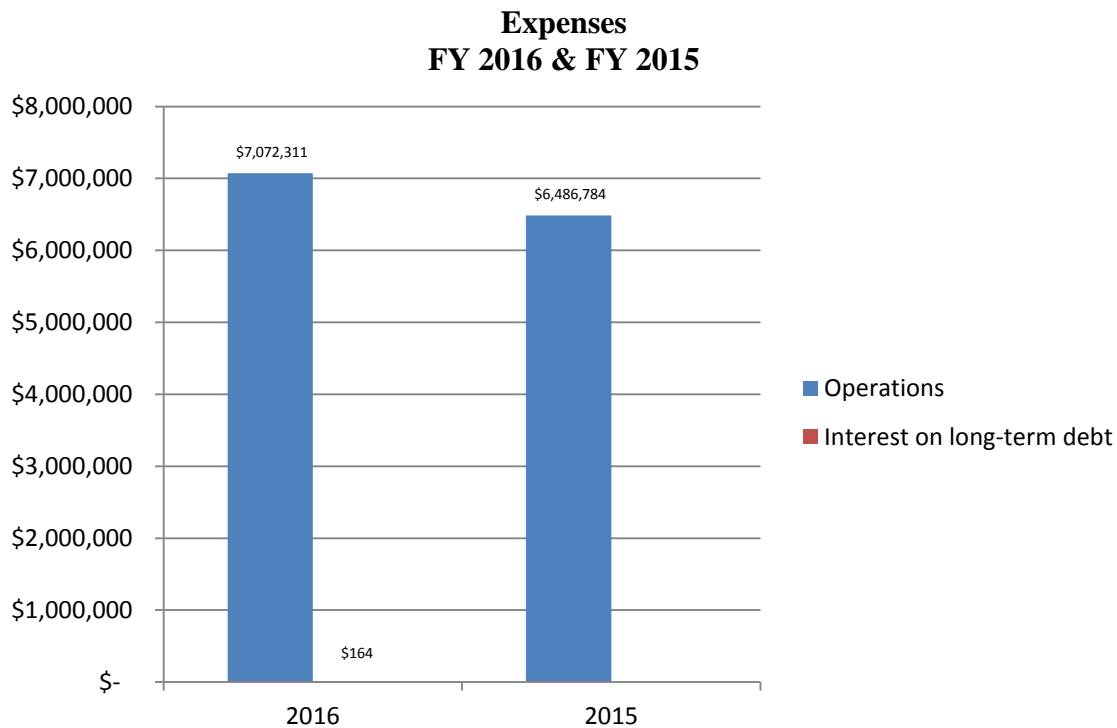
# SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

## Management's Discussion and Analysis (Continued)

June 30, 2016

Analysis of the more significant variances in expenses follows:

- Operations increased \$585,527 due to an increase in pension and chemical expenses during the year.



### Capital Asset and Debt Administration

#### *Capital Assets Activity*

The District's net investment, after depreciation, in capital assets as of June 30, 2016 amounted to \$2,355,149. The District's capital assets include all land, buildings and improvements, rolling equipment, office furniture and equipment, and other equipment owned by the District. The total increase in the District's investment in capital assets for the current fiscal year was 4.8% or \$106,966. This represents \$288,446 of capital additions less depreciation expense of \$158,285 and net disposals of \$23,196.

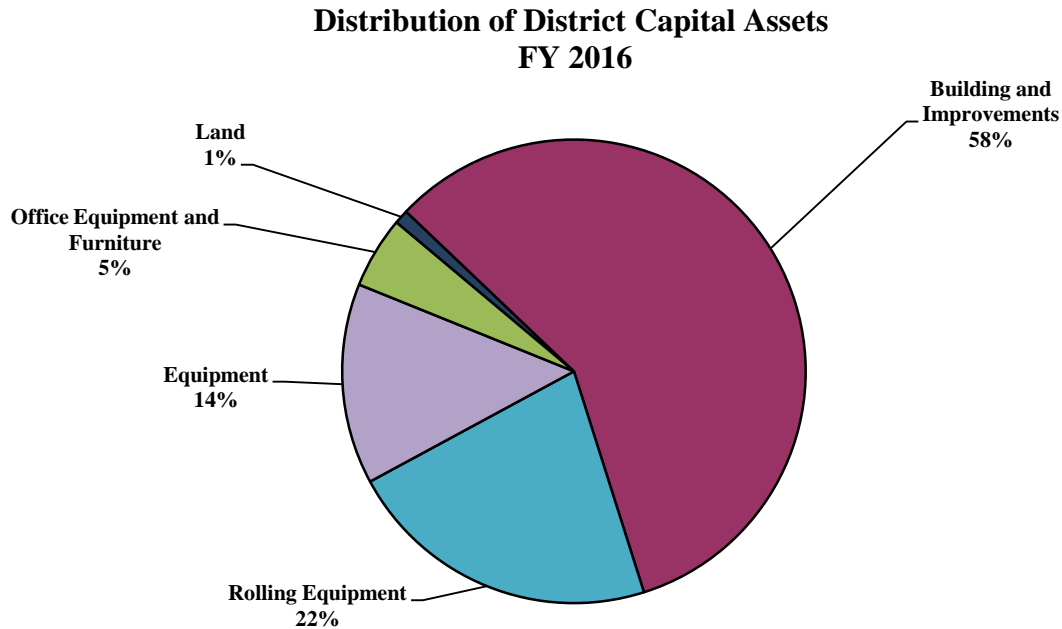
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# SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

## Management's Discussion and Analysis (Continued)

June 30, 2016

The following graph displays the District's largest capital asset categories and their portion (%) of the District's total asset value as of June 30, 2016.



Additional information on the District's capital assets can be found on page 25 herein.

### *Long Term Debt Activity*

On June 30, 2016, the District had total long-term obligations outstanding of \$8,648,135. This is a \$1,112,699 increase in long-term obligations from FY 2015.

Future obligations include compensated absences and retiree health insurance liabilities. The District has accrued a net pension liability of \$8,099,359 for retirement benefits to current and former employees at the end of the fiscal year.

Notes F, G and I to the financial statements contain further detail on the above-noted long-term obligations.

### **Future Financial Outlook**

The District anticipates revenues to remain consistent the prior year with the exception of the proceeds from the sale of the Lodi-Beckman Road property. The District does not anticipate any unusual expenses for the coming year.

**SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**

**Management's Discussion and Analysis (Continued)**

June 30, 2016

**Requests for Information**

The financial report is designed to provide the reader with a general overview of the District's finances. Questions concerning any of the information provided herein or requests for additional information should be addressed to the General Manager, San Joaquin County Mosquito and Vector Control District, 7759 South Airport Way, Stockton, California 95206.

## **BASIC FINANCIAL STATEMENTS**

**SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**

**Statement of Net Position**

June 30, 2016

	<u>Governmental activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 12,566,448
Accounts receivable	44,015
Grant reimbursement receivable	53,476
Interest receivable	17,519
Prefunded other-post employment benefits	522,177
Inventory	582,680
Prepaid expenses	20,331
Capital assets, net of accumulated depreciation of \$2,234,757	<u>2,355,149</u>
Total assets	<u>16,161,795</u>
<b>Deferred outflows of resources</b>	<u>1,643,620</u>
<b>Liabilities</b>	
Accounts payable	207,387
Accrued liabilities	198,535
Long-term liabilities	
Due within one year	
State loan-Chapter 1168-85	67,380
Compensated absences	60,000
Retiree health insurance liabilities	18,388
Capital lease payable	3,004
Due in more than one year	
Compensated absences	480,776
Retiree health insurance liabilities	65,572
Capital lease payable	2,428
Net pension liability	<u>8,099,359</u>
Total liabilities	<u>9,202,829</u>
<b>Deferred inflows of resources</b>	<u>116,189</u>
<b>Net position</b>	
Net investment in capital assets	2,355,149
Unrestricted	<u>6,131,248</u>
Total net position	<u>\$ 8,486,397</u>

The accompanying notes are an integral part of this financial statement.

**SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**

**Statement of Activities**

For the year ended June 30, 2016

	<u>Expenses</u>	<u>Program revenues</u> <u>Operating grants and contributions</u>	<u>Net (expenses) revenues and changes in net position</u>
<b>Governmental activities</b>			
Operations	\$ 7,072,311	\$ 65,168	\$ (7,007,143)
Interest on long-term debt	164	-	<u>(164)</u>
Net program (expenses) revenues			<u>(7,007,307)</u>
General revenues			
Property taxes			4,440,266
Property assessments			2,991,070
Gain on sale of assets			664,752
Property tax relief			88,211
Investment income			78,574
Reimbursements and rebates			38,805
Other revenues			<u>2,835</u>
Total general revenues			<u>8,304,513</u>
<b>Change in net position</b>			1,297,206
<b>Net position, beginning of year</b>			<u>7,189,191</u>
<b>Net position, end of year</b>			<u>\$ 8,486,397</u>

The accompanying notes are an integral part of this financial statement.



**SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**

**Balance Sheet - Governmental Funds**

June 30, 2016

	<u>General fund</u>
<b>Assets</b>	
<b>Assets</b>	
Cash and cash equivalents	\$ 12,566,448
Accounts receivable	44,015
Interest receivable	17,519
Inventory	582,680
Prepaid expenses	<u>20,331</u>
Total assets	<u>\$ 13,230,993</u>
<b>Liabilities and Fund Balances</b>	
<b>Liabilities</b>	
Accounts payable	\$ 207,387
Accrued liabilities	198,535
State loan - Chapter 1168/85	67,380
Compensated absences	60,000
Retiree health insurance liabilities	<u>18,388</u>
Total liabilities	<u>551,690</u>
<b>Fund balances</b>	
Nonspendable:	
Prepaid expenses	20,331
Inventory	582,680
Committed to:	
Accrued employee leave	115,000
Capital asset preservation	460,000
Contingencies	1,167,370
Public health emergencies	1,500,000
Unassigned	<u>8,833,922</u>
Total fund balances	<u>12,679,303</u>
Total liabilities and fund balances	<u>\$ 13,230,993</u>

The accompanying notes are an integral part of this financial statement.

**SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**

**Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Position**

June 30, 2016

**Total fund balances - governmental funds** \$ 12,679,303

Amounts reported for governmental activities in the statement of net position are different from those reported in the governmental funds because of the following:

Grant reimbursements receivable in governmental funds are not available to pay for current period expenditures 53,476

Governmental funds report all OPEB contributions as expenditures, however, in the statement of net position, any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as an asset or liability. 522,177

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.

Capital assets	\$ 4,589,906	
Less accumulated depreciation	<u>(2,234,757)</u>	
	<u>\$ 2,355,149</u>	2,355,149

A portion of compensated absences are not due and payable in the current period and, therefore, are not reported in the funds. (480,776)

A portion of retiree health insurance liabilities are not due and payable in the current period and, therefore, are not reported in the funds. (65,572)

Capital lease payable is not due and payable in the current period and, therefore, is not reported in the funds. (5,432)

Deferred outflows are not current financial resources and, therefore, are not reported in the funds. 1,643,620

Deferred inflows are not due and payable in the current period and, therefore, are not reported in the funds. (116,189)

Net pension liability is not due and payable in the current period and, therefore, is not reported in the funds. (8,099,359)

**Net position of governmental activities** \$ 8,486,397

The accompanying notes are an integral part of this financial statement.

**SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**

**Statement of Revenues, Expenditures and Changes  
in Fund Balances - Governmental Funds**

For the year ended June 30, 2016

	<u>General fund</u>
<b>Revenues</b>	
Property taxes	\$ 4,440,266
Property assessments	2,991,070
Property tax relief	88,211
Investment income	78,574
Reimbursements and rebates	52,548
Other revenues	<u>2,835</u>
Total revenues	<u>7,653,504</u>
<b>Expenditures</b>	
Operating	
Salaries and benefits	4,491,957
Services and supplies	2,585,893
Debt service	
Principal	2,936
Interest	164
Capital outlay	<u>288,446</u>
Total expenditures	<u>7,369,396</u>
<b>Excess of revenues over expenditures</b>	<u>284,108</u>
<b>Other financing sources (uses)</b>	
Proceeds from sale of capital assets	<u>687,948</u>
Total financing sources (uses)	<u>687,948</u>
<b>Net change in fund balances</b>	972,056
<b>Fund balances, beginning of year</b>	<u>11,707,247</u>
<b>Fund balances, end of year</b>	<u>\$ 12,679,303</u>

The accompanying notes are an integral part of this financial statement.

SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

**Reconciliation of the Statement of Revenues,  
Expenditures and Changes in Fund Balances -  
Governmental Funds to the Statement of Activities**

For the year ended June 30, 2016

**Net change in fund balances - governmental funds** \$ 972,056

Amounts reported for governmental activities in the statement of activities are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 28,229

Changes in compensated absences are recorded as an expense in the statement of activities, but are not reported in the funds. 175,986

Changes in retiree health insurance liabilities are recorded as an expense in the statement of activities, but are not reported in the funds. (65,572)

Changes in other post-employment benefit liabilities are recorded as an expense in the statement of activities, but are not reported in the funds. 437,550

Changes in capital lease payable are recorded as an expense in the statement of activities, but are not reported in the funds. (1,448)

Depreciation expense related to capital assets is recognized in the statement of activities, but is not reported in the funds. (158,285)

Governmental funds report capital outlays as expenditures while governmental activities record depreciation expense to allocate those expenditures over the life of the assets. 288,446

Changes in net pension liability and deferred inflows and outflows associated with pensions are recognized in the statement of activities, but are not reported in the funds. (379,756)

**Change in net position of governmental activities** \$ 1,297,206

The accompanying notes are an integral part of this financial statement.

# SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

## Notes to Basic Financial Statements

June 30, 2016

### Note A - Summary of Significant Accounting Policies

This summary of significant accounting policies of San Joaquin County Mosquito and Vector Control District (the District) is presented to assist in understanding the District's financial statements.

#### Description of the reporting entity

The District was formed in 1945 and operates under the California Health and Safety Code for the purpose of mosquito and vector control in San Joaquin County.

District management considered all potential component units for inclusion in the reporting entity by applying the criteria set forth in accounting principles generally accepted in the United States of America. The District concluded that there are no potential component units which should be included in the reporting entity.

#### Government-wide financial statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenues not classified as program revenues are presented as general revenues.

#### Fund financial statements

The fund financial statements provide information about the District's funds. The District has one type of fund (governmental), which is comprised of one major fund as follows:

General fund - This fund is established to account for resources devoted to financing the general services that the District performs. Property taxes, special taxes and other sources of revenue used to finance the fundamental operations of the District are included in this fund. This fund is charged with all costs of operating the District for which a separate fund has not been established.

(Continued)

# SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

## Notes to Basic Financial Statements

June 30, 2016

### Note A - Summary of Significant Accounting Policies (Continued)

#### Measurement focus, basis of accounting, and financial statement presentation

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. Property taxes, special taxes and property tax relief are recognized as revenues in the year for which they are intended to finance.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period and apply to the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to the long-term portion of compensated absences and retiree health insurance are recorded only when payment is due.

Property taxes, special taxes, interest, property tax relief, charges for services and operating grants and contributions associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

#### Budgetary accounting

The District follows the procedures established by the State of California for Special Districts in establishing the budgetary data reflected in the financial statements. During the year, the General Fund was the only fund for which a budget was required.

#### Cash and cash equivalents

For the purpose of financial reporting “cash and cash equivalents” includes all demand and savings accounts and short-term investments with an original maturity of three months or less and the District’s investment in the County of San Joaquin’s pooled cash and investments.

#### Accounts receivable

District management considers all accounts receivable to be fully collectible. Accordingly, an allowance of doubtful accounts has not been recorded in these financial statements.

(Continued)

# SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

## Notes to Basic Financial Statements

June 30, 2016

### Note A - Summary of Significant Accounting Policies (Continued)

#### Inventory

The District's inventory, which includes mosquito and vector control chemicals, is stated at the lower of cost or market using the first-in, first-out (FIFO) method of valuation.

#### Capital assets

All capital assets are valued at historical cost. The District's policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

All capital assets with limited useful lives are depreciated over their estimated useful lives. Depreciation has been provided on capital assets and is charged as an expense against operations each year. The total amount of depreciation taken over the years is reported on the balance sheet as a reduction in the book value of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The District has assigned the following useful lives listed below to capital assets.

Buildings and improvements	10-45 years
Rolling equipment	5 years
Office furniture and equipment	5-10 years
Other equipment	3-10 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

#### Long-lived assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

(Continued)

# SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

## Notes to Basic Financial Statements

June 30, 2016

### Note A - Summary of Significant Accounting Policies (Continued)

#### Deferred outflow/inflows of resources

In addition to assets, liabilities and net position, the statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resource (revenue) until that time.

Contributions made to the District's pension plan(s) after the measurement date but before the fiscal year end are recorded as a deferred outflow of resources and will reduce the net pension liability in the next fiscal year.

Additional factors involved in the calculation of the District's pension expense and net pension liability include the differences between expected and actual experience, changes in assumptions, differences between projected and actual investment earnings, changes in proportion, and differences between the District's contributions and proportionate share of contributions. These factors are recorded as deferred outflows and inflows of resources and amortized over various periods.

#### Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resource related to pensions, and pension expense, information about the fiduciary net position of the District's portion of the San Joaquin County Employees' Retirement Association (SJCERA) and additions to/deductions from SJCERA's fiduciary net position have been determined on the same basis as they are reported by SJCERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### Net position

Equity in the government-wide financial statements is classified as net position and displayed in three components as follows:

Net investment in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.

(Continued)



# SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

## Notes to Basic Financial Statements

June 30, 2016

### Note A - Summary of Significant Accounting Policies (Continued)

Restricted - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to these assets.

Unrestricted - Amounts not required to be reported in other components of net position.

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

#### Fund balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components: nonspendable, restricted, committed, assigned and unassigned.

Nonspendable - Amounts that cannot be spent because they are either not in spendable in form or are legally or contractually required to be maintained intact.

Restricted - Amounts constrained regarding use from restrictions externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or by restrictions imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts constrained regarding use for specific purposes pursuant to requirements imposed by formal action of the District's highest level of decision making authority.

Assigned - Amounts constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose.

Unassigned - Amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the District's policy to use committed resources first, then assigned, and then unassigned as they are needed.

(Continued)

# SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

## Notes to Basic Financial Statements

June 30, 2016

### Note A - Summary of Significant Accounting Policies (Continued)

#### Property taxes

Property taxes were levied January 1, 2015 and were payable in two installments on December 10, 2015 and April 11, 2016. The County of San Joaquin bills and collects property taxes on behalf of the District.

#### Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

#### New accounting pronouncements

In February 2015, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The District implemented the provisions of this Statement for the year ended June 30, 2016. There was no impact to beginning net position as part of implementation of this accounting standard.

In June 2015, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The District implemented the provisions of this Statement for the year ended June 30, 2016. There was no impact on beginning net position as part of implementation of this accounting standard.

(Continued)

# SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

## Notes to Basic Financial Statements

June 30, 2016

### Note A - Summary of Significant Accounting Policies (Continued)

In June 2015, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. This Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses, expenditures. The District will be required to implement the provisions of this Statement for the year ended June 30, 2018. The District has not determined the effect on the financial statements.

In December 2015, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The District implemented the provisions of this Statement for the year ended June 30, 2016. There was no impact on beginning net position as part of implementation of this accounting standard.

In March 2016, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classifications of payments made by employers to satisfy employee (plan member) contribution requirements. The District will be required to implement the provisions of this Statement for the year ended June 30, 2017. The District has not determined the effect on the financial statements.

# SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

## Notes to Basic Financial Statements

June 30, 2016

### Note B - Cash and Cash Equivalents

As of June 30, 2016, the carrying amount of the District's bank deposits was \$755,018 and the bank balance was \$756,327. In addition, as of June 30, 2016 the carrying amount of the District's insurance fund deposits and the insurance fund balance was \$722,627.

The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Cash and cash equivalents invested in an external investment pool as of June 30, 2016 consists of the following:

	<u>Investment pool fair value</u>	<u>Investment pool cost basis</u>
<u>Investments in external investment pool</u>		
San Joaquin County Treasurer		
General fund	\$ 7,469,523	\$ 7,469,523
Special assessment fund	131,820	131,820
Contingency fund	1,172,814	1,172,814
General reserve fund	1,969,308	1,969,308
Compensated absences	344,955	344,955
	\$ 11,088,420	\$ 11,088,420

Cash held by the San Joaquin County Treasury is pooled with other County deposits for investment purposes by the County Treasurer in accordance with the investment policy of the County Treasurer (see County Treasurer's investment policy at <http://www.sjgov.org/treasurer/>). The Pool has established a treasury oversight committee to monitor and review the management of public funds maintained in the Pool. Participants' equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed investment income. Investment income is prorated to individual funds based on their average daily cash balances. The value of the District shares in the Pool, which may be withdrawn, is determined on an amortized cost basis, which is different than the fair value of the District's position in the Pool. The District's investment in the Pool is unrated, stated at fair value, available upon demand and considered cash equivalents.

The District is not required to and does not maintain a formal investment policy.

**SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**

**Notes to Basic Financial Statements**

June 30, 2016

**Note C - Capital Assets**

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

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2016</u>
Nondepreciable capital assets				
Land	\$ 51,612	\$ -	\$ (21,300)	\$ 30,312
Total nondepreciable capital assets	<u>51,612</u>	<u>-</u>	<u>(21,300)</u>	<u>30,312</u>
Depreciable capital assets				
Buildings and improvements	2,631,456	46,842	(29,979)	2,648,319
Rolling equipment	998,981	177,304	(136,004)	1,040,281
Office furniture and equipment	196,281	30,652	-	226,933
Other equipment	<u>613,113</u>	<u>33,648</u>	<u>(2,700)</u>	<u>644,061</u>
Total depreciable capital assets	4,439,831	288,446	(168,683)	4,559,594
Less accumulated depreciation	<u>(2,243,260)</u>	<u>(158,285)</u>	<u>166,788</u>	<u>(2,234,757)</u>
Total depreciable capital assets, net	<u>2,196,571</u>	<u>130,161</u>	<u>(1,895)</u>	<u>2,324,837</u>
 Total capital assets, net	 <u>\$ 2,248,183</u>	 <u>\$ 130,161</u>	 <u>\$ (23,195)</u>	 <u>\$ 2,355,149</u>

**Note D - State Loan - Chapter 1168/85**

The District applied for and received a state loan in the amount of the shortfall in funding received through supplemental roll tax revenue during the 1984-85 fiscal year. The loan is interest free and was to be repaid from the 1984-85 fiscal year supplemental roll tax revenue received by the District after January 15, 1986. No due date has been assigned to the loan. The balance due on the loan at June 30, 2016 is \$67,380.

**Note E - Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters.

In order to insure for risks of loss, the District participates with other Districts in the Vector Control Joint Powers Agency (VCJPA) and purchases non-owned aircraft insurance through a commercial carrier. The relationship between the District and the VCJPA is such that VCJPA is not a component unit of the District for financial reporting purposes.

(Continued)

# SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

## Notes to Basic Financial Statements

June 30, 2016

### Note E - Risk Management (Continued)

The VCJPA is established for the purpose of funding and developing programs to provide various insurance coverages for its member mosquito abatement and vector control districts in California. VCJPA consists of 35 districts throughout California and maintains pooled coverage programs for its members for workers' compensation, general liability, auto physical damage, and errors & omission. VCJPA also provides group purchased insurance programs for its members for multi-peril property, boiler and machinery, business travel accident, public employees' dishonesty/faithful performance, employee assistance, and employment practices liability. Refer to Note K for a summary of District insurance coverage.

Each district pays premiums commensurate with the level of coverage required or requested and shares surpluses and deficits proportionate to their participation in the VCJPA. Premiums are determined based on the ultimate cost of the experience to date of the member districts.

Deposits at the VCJPA bear interest based on the average daily balance maintained by each District. These deposits are invested in the Local Agency Investment Fund.

The latest audited financial information for the VCJPA is for the fiscal year ended June 30, 2015 and the condensed financial information is as follows:

Total assets	\$ 14,855,734
Total liabilities	<u>9,783,489</u>
Net position	<u>\$ 5,072,245</u>
Total revenues	\$ 4,036,938
Total expenses	<u>4,287,950</u>
Decrease in net position	<u>\$ (251,012)</u>

#### Workers' compensation

Annual premiums, based on the District's total payroll, are deposited in the District's separate Pooled Workers' Compensation Account at the VCJPA. The Account is reduced by the District's share of all Program claim settlements, excess insurance premiums and related administrative expenses. Five years after the end of each fiscal year, the VCJPA is to make a retroactive adjustment to fund/collect any remaining balance/deficit in the District's account. While the District's ultimate share of workers' compensation claim settlements and related administrative expenses is uncertain, management of the District does not believe it will have a material impact on the District's financial statements.

(Continued)

# SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

## Notes to Basic Financial Statements

June 30, 2016

### Note E - Risk Management (Continued)

The workers' compensation fund provides coverage up to a maximum of \$500,000, self-insured retention (SIR). Excess workers' compensation insurance is provided by the Local Agency for Workers' Compensation Excess Joint Powers Authority (pooled liability program) up to a maximum of \$5,000,000 for employer liability and statutory coverage for workers' compensation.

#### General liability

Annual premiums are deposited in the District's separate liability account at the VCJPA. The account is reduced by the District's share of all program claim settlements, excess insurance premiums and related administrative expenses. Four years after the end of each fiscal year, the VCJPA will make a retroactive adjustment to refund/collect any remaining balance/deficit in the District's account. While the District's ultimate share of liability claim settlements and related administrative expenses is uncertain, management of the District does not believe it will have a material impact on the District's financial statements.

The District pays an annual premium to VCJPA for general liability coverage. The general liability fund provides coverage up to a maximum of \$1,000,000, self-insured retention (SIR). Coverage above the program self-insured retention is provided by a special liability policy with limits of \$14,000,000 in excess of \$1,000,000.

#### Unobligated fund

The District has an unobligated cash fund which earns interest for the District. The balance in the unobligated fund at June 30, 2016 was \$630,519.

#### Property contingency fund

The District has a property contingency cash fund which earns interest for the District. The balance in the property contingency fund at June 30, 2016 was \$92,108.

### Note F - Compensated Absences

Employees accrue vacation leave based on length of service. Accumulated vacation leave is subject to maximum accruals for all employees. As of June 30, 2016, the District's accrued liability for accumulated unused vacation leave and overtime is \$211,324. Employees are paid for their accumulated unused vacation leave upon separation from service. The liability is expected to be liquidated with future resources and not with expendable available financial resources.

(Continued)

# SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

## Notes to Basic Financial Statements

June 30, 2016

### Note F - Compensated Absences (Continued)

In addition, employees accrue sick leave which is not subject to maximum accruals. The District has estimated and recorded a liability for accumulated unused sick leave of \$329,452. The estimated liability was based on the employees vesting method and various retirement assumptions with certain modifications for the year ended June 30, 2016. The current portion of the liability was estimated to be \$60,000. The remainder has been recorded in the statement of net position as the liability is expected to be liquidated with future resources and not with expendable available resources.

The accumulated unused sick leave is converted to a sick leave bank by the District at the rate established by the San Joaquin County Employees Retirement Association (Association) upon the employee's retirement (\$221.24 per 8 hours) or paid to the employee in the form of a 1/3 cash payout for represented employees and unrepresented employees hired after December 18, 2001 or 100% cash payout for unrepresented employees hired before December 19, 2001. The sick leave bank is used to pay post-retirement medical, dental and vision insurance premiums. Once the retiree's sick leave bank is depleted, the retiree is responsible for his/her medical, dental and vision insurance premiums.

For all District employees hired on or before August 27, 2001, retiree sick leave banks were funded through investment earnings of the Association. This program ceased March 31, 2011. For all District employees hired subsequent to August 27, 2001, the Association depletes the account as insurance premiums are reimbursed to the District. During the year ended June 30, 2016, the District was reimbursed for post-employment benefits paid in the amount of \$68,088 from 21 retirees.

### Note G - Defined Benefit Pension Plan

#### General Information about the Pension Plan

**Plan description** - The District contributes to the San Joaquin County Employees' Retirement Association (SJCERA), a cost-sharing multiple-employer defined benefit pension plan administered by the Board of Retirement. The County Employee's Retirement Act of 1937 is the statutory basis for the SJCERA. The Board of Retirement has the authority to establish and amend benefit provisions. SJCERA issues a publicly available financial report that includes financial statements and required supplementary information for the participants in the plan. A copy of the financial report may be obtained by writing to the Board of Retirement, San Joaquin County Employees' Retirement Association, 6 South El Dorado, Suite 400, Stockton, California, 95202.

(Continued)



# SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

## Notes to Basic Financial Statements

June 30, 2016

### Note G - Defined Benefit Pension Plan (Continued)

**Funding policy** - Contribution rates are based on plan members' annual covered salary, specific tier, and are actuarially determined. As of June 30, 2016, average contribution rates are as follows:

	<u>General members</u>
Employer rates (average)	35.99%
Employee rates (average)	6.18%

Effective July 1, 2013, the District entered into a memorandum of understanding with the San Joaquin Mosquito Employees Association that allows for a cost of living adjustment for retirement system benefits of up to 3% pursuant to Government Code Section 31780.12.8.4. Additionally, the cost of post-retirement cost-of-living adjustments shall be shared equally between the District and employees who are members of the SJCERA. As of June 30, 2016, the contribution rate is 4.70%, of which the District will pay 2.35% and each employee will pay 2.35%. The rate is subject to adjustment on an annual basis by the SJCERA.

All District employees are classified as general plan members. The contribution requirements of plan members and the District are established and may be amended by the Board of Retirement. The District's contribution to the SJCERA for the years ended June 30, 2016, 2015, and 2014 were \$790,269, \$713,832, and \$656,618, respectively, equal to the required contributions for each year.

**Benefits provided** - SJCERA provides retirement, disability, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 (52 for Tier 2) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the 1957 Survivor Benefit or the Optional Settlement ZW Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

(Continued)

**SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**

**Notes to Basic Financial Statements**

June 30, 2016

**Note G - Defined Benefit Pension Plan (Continued)**

The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	<b>General</b>	
	<u>Tier 1</u> Prior to January 1, 2013	<u>Tier 2</u> On or after January 1, 2013
Hire date	January 1, 2013	January 1, 2013
Benefit formula	2.0% @ 55 ½	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	1.48% to 2.61%	1.0% to 2.5%
Required employee contribution rates	4.16% to 7.84%	9.15%
Required employer contribution rates	36.89%	30.01%

The Tier 1 Plan is closed to new members that are not already SJCERA eligible participants.

**Contributions** - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the January 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of December 31 by SJCERA. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2016, the contributions recognized as part of pension expense for the Plans were as follows:

	<u>General</u>
Contributions - employer	\$ 388,257

*Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions*

As of June 30, 2016, the District reported a net pension liability for its proportionate share of the net pension liability in the amount of \$8,099,359. The District's net pension liability for the Plans is measured as the proportionate share of the net pension liability.

(Continued)

**SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**

**Notes to Basic Financial Statements**

June 30, 2016

**Note G - Defined Benefit Pension Plan (Continued)**

The net pension liability of the plan is measured as of December 31, 2015, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015 rolled forward to December 31, 2015, 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 employers, actuarially determined. The District's proportionate share of the net pension liability for all Plans as of December 31, 2014 and 2015 was as follows:

	<u>General</u>
Proportion - December 31, 2014	0.5218%
Proportion - December 31, 2015	<u>0.5265</u>
Change - increase (decrease)	0.0047%

For the year ended June 30, 2016, the District recognized pension expense of \$1,171,721. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 388,257	\$ -
Differences between actual and expected experience	-	108,470
Changes in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	71,129	7,719
Net differences between projected and actual earnings on plan investments	<u>1,184,234</u>	<u>-</u>
Total	<u>\$ 1,643,620</u>	<u>\$ 116,189</u>

(Continued)

**SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**

**Notes to Basic Financial Statements**

June 30, 2016

**Note G - Defined Benefit Pension Plan (Continued)**

The \$388,257 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year ended June 30,</u>	<u>Increase (decrease) of Pension Expense</u>
2017	\$ 303,706
2018	303,706
2019	302,873
2020	<u>228,889</u>
Total	<u>\$ 1,139,174</u>

**Actuarial Assumptions** - The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

	<u>General</u>
Valuation Date	January 1, 2015
Measurement Date	December 31, 2015
Actuarial Cost Method	Entry Age Normal Cost Level
Actuarial Assumptions:	
Inflation	3.00%
Amortization Growth Rate	3.25%
Projected Salary Increase	3.25% plus merit component (1)
Cost of Living Adjustments (COLA)	2.60%
Investment Rate of Return	7.50% (2)
Mortality	Sex distinct RP - 2000 Combined mortality, projected with generational improvements using scale BB

- (1) Depending on employee classification and years of service
- (2) Net of pension plan investment expenses, including inflation

(Continued)

**SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**

**Notes to Basic Financial Statements**

June 30, 2016

**Note G - Defined Benefit Pension Plan (Continued)**

*Discount rate* - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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.

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. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. The following table was the Retirement Board's Adopted asset allocation policy and the long-term expected real rates of return as of June 30, 2016:

<u>Asset Class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Fixed income	24.00%	3.55%
U.S. Equities	16.25%	9.00%
Non U.S. Equities	16.25%	9.75%
Global Equity	1.50%	9.35%
Real Estate	10.00%	11.15%
Real Assets	7.00%	7.00%
Global Opportunistic Strategy	15.00%	7.40%
Risk Parity	10.00%	8.00%
Total	100.00%	

(Continued)

# SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

## Notes to Basic Financial Statements

June 30, 2016

### Note G - Defined Benefit Pension Plan (Continued)

***Sensitivity of the 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 for the Plan, 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 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>General</u>
1% Decrease	6.50%
Net pension liability	\$ 10,879,404
Current discount rate	7.50%
Net pension liability	\$ 8,099,359
1% Increase	8.50%
Net pension liability	\$ 5,809,508

***Pension Plan Fiduciary Net Position*** - Detailed information about the pension plan's fiduciary net position is available in the separately issued SJCERA financial reports.

#### *Payable to the Pension Plan*

At June 30, 2016, the District reported a payable of \$0 for outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

### Note H - Deferred Compensation Plans

Employees of the District may participate in two deferred compensation plans adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plans are available to all full-time employees of the District. Under the plans, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency.

# SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

## Notes to Basic Financial Statements

June 30, 2016

### Note I - Other Post-Employment Benefits other than Pensions

#### Plan description

The District administers an Other Post-Employment Benefit (OPEB) Plan, a single-employer defined benefit plan. The District's OPEB Plan provides medical insurance for eligible retirees and spouses through the District's group health insurance, which covers both active and retired members. In order to be eligible to retire with District-paid health benefits, an employee must satisfy the requirements of CALPERS (attain age 50 with 5 years of credited service and following the 10<sup>th</sup> anniversary of participation in the plan). As of June 30, 2016, 20 participants were eligible to receive retirement health care benefits.

The District contributes \$268.85 per month for employees retired prior to January 1, 2012 who elect to continue their CALPERS medical coverage through the District. The monthly contribution of \$268.85 is multiplied by a percentage based on years of service for employees retired after January 1, 2012. Retiree medical benefits continue to the retiree's spouse for his or her lifetime provided the spouse was covered at the time of the retiree's death.

The District passed a resolution to participate in the California Employers Retirees Benefit Trust (CERBT), an irrevocable trust established to fund OPEB. CERBT, an agent multiple-employer plan administered by CALPERS consisting of an aggregation of single-employer plans, is managed by an appointed board not under the control of the District Trustees. This Trust is not considered a component unit by the District and has been excluded from these financial statements. The CERBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained from the California Public Employees' Retirement System, CERBT, P.O. Box 942703, Sacramento, CA 94229-2703.

#### Funding policy

Effective May 15, 2012, the District, pursuant to Resolution 11/12-07, elected to prefund a portion of these benefits by accumulating assets with CERBT. Prior to May 15, 2012, the District funded the plan on a pay-as-you-go basis and maintained reserves and recorded a liability for the difference between the pay-as-you-go and the actuarially determined OPEB cost. As of June 30, 2016, the District recorded an asset for the difference between the prefunded amount and the actuarially determined annual OPEB cost.

(Continued)

SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

Notes to Basic Financial Statements

June 30, 2016

Note I - Other Post-Employment Benefits other than Pensions (Continued)

Annual OPEB cost

Generally accepted accounting principles permits contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability (AAL) when such contributions are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2016, the District contributed \$433,118 to the Plan. The District has prefunded a Net OPEB Asset of \$522,177.

The following table presents the components of the District's annual OPEB cost, amounts actually contributed, and changes in net OPEB obligation for the year ended June 30, 2016:

Annual required contribution	\$ 95,887
Interest on net OPEB obligation (asset)	(5,179)
Adjustment to annual required contribution	<u>5,163</u>
Annual OPEB expense	<u>95,871</u>
Contributions made:	
Retired employees post-employment medical benefit payments	67,647
Current year's implicit subsidy credit	32,656
Contribution to OPEB Trust	<u>433,118</u>
Total employer contribution	<u>533,421</u>
Change in net OPEB asset	(437,550)
Net OPEB asset, beginning of year	<u>(84,627)</u>
Net OPEB asset, end of year	<u><u>\$ (522,177)</u></u>

Funded status of the plan

The most recent valuation dated July 1, 2015 includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$1,554,384 and \$293,166, respectively. The AAL is partially funded since assets have been transferred into CERBT. The District's current year annual required contribution along with investment income, resulted in assets with CERBT of \$1,268,772 as of June 30, 2016.

(Continued)



**SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**

**Notes to Basic Financial Statements**

June 30, 2016

**Note I - Other Post-Employment Benefits other than Pensions (Continued)**

Schedule of funding progress

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the actuarial study is presented below.

Fiscal year end	Actuarial valuation date	Actuarial accrued liability (a)	Actuarial value of assets (b)	Unfunded actuarial liability accrued (UAAL) (a) - (b)	Funded status (b) / (a)	Annual covered payroll (c)	UAAL as a percentage of covered payroll [(a) - (b)] / (c)
6/30/14	7/1/13	\$ 1,010,696	\$ 734,477	\$ 276,219	72.67%	\$ 2,224,211	12.42%
6/30/15	7/1/15	1,510,904	780,343	730,561	51.65	2,242,983	32.57
6/30/16	7/1/15	1,554,384	1,261,218	293,166	81.14	2,315,880	12.66

Three-year trend information

The District's annual OPEB cost, percentage of annual OPEB costs contributed and the net OPEB obligation are as follows:

Fiscal year ended	Annual OPEB cost	Percentage of annual OPEB costs contributed	Net OPEB obligation (asset)
6/30/14	\$ 45,697	275.19%	\$ (46,374)
6/30/15	73,796	151.84	(84,627)
6/30/16	95,871	556.40	(522,177)

Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District 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 District and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined

(Continued)

# SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

## Notes to Basic Financial Statements

June 30, 2016

### Note I - Other Post-Employment Benefits other than Pensions (Continued)

amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The District's policy includes amortization of the unfunded actuarial accrued liability over a closed 30-year period initially established for the District's year ended June 30, 2010. The remaining amortization period applicable in determining the annual required contribution for the year ended June 30, 2016 was 24 years. Amortization payments are determined on a level percent of pay basis.

In the July 1, 2015 actuarial valuation, the entry age normal actuarial cost method was used. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 6.12% discount rate; (b) 3.25% projected annual salary increase, and (c) 4.5% health care cost trend rate increase.

#### Retiree unused sick leave banks

Effective April 1, 2011, the District was no longer reimbursed for health insurance premiums paid for retirees with sick leave banks hired prior to August 27, 2001. The remaining retiree sick leave bank liability as of June 30, 2016 was \$83,960. The current portion of the liability was estimated to be \$18,388 and the long-term portion as of June 30, 2016 was \$65,572.

### Note J - Operating Leases

The District leases office equipment and office space under lease agreements that expire at various dates through June 2034. The following summarizes future minimum rental payments required under the operating leases.

<u>Year ending June 30,</u>	
2017	\$ 7,089
2018	8,183
2019	8,183
2020	8,183
2021	8,183
2022-2026	20,127
2027-2031	19,033
2031-2034	<u>9,834</u>
	<u>\$ 88,815</u>

Total rental expenses for the year ended June 30, 2016 was \$7,851.

**SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**

**Notes to Basic Financial Statements**

June 30, 2016

**Note K - Insurance Coverage**

The District is covered by the following types of insurance as of June 30, 2016:

<u>Coverage through commercial carrier</u>	<u>Limits of liability</u>
Non-owned aircraft	
Comprehensive liability	
Combined single limit each occurrence	\$ 1,000,000
Commercial general liability, automobile liability, and errors and omissions (pooled program)	
Self-insured retention	2,000,000
California Affiliated Risk Management Authorities	14,000,000
Workers' compensation (pooled program)	
Each occurrence and aggregate	
Self-insured retention	500,000
Commercial carrier - limit	
Workers' compensation	Statutory coverage
Employer's liability	5,000,000
Boiler and machinery (commercial carrier)	
Each occurrence	100,000,000
Deductible per occurrence	2,500 - 350,000
Property and equipment (commercial carrier)	
Each occurrence	1,000,000,000
Deductible	10,000
Auto physical damage (pooled program)	
Each occurrence	35,000
Deductible per loss	500
Business travel accident (commercial carrier)	
Each occurrence	150,000
Deductible	N/A
Group fidelity (commercial carrier)	
Each occurrence	3,000,000
Deductible each loss	2,500

# SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

## Notes to Basic Financial Statements

June 30, 2016

### Note L - Capital Lease Obligation

In April 2014, the District entered into a lease agreement to purchase computer equipment in the amount of \$10,760. The lease is for four years with an option to retain the equipment at the end of the lease for no cost.

The following is a schedule by years of future minimum lease payments required under the capital lease together with the present value of the net minimum payments as of June 30, 2016:

<u>Year ending June 30,</u>	
2017	\$ 3,004
2018	2,296
2019	<u>257</u>
Total minimum lease payments	5,557
Less amount representing interest	<u>(125)</u>
Present value of net minimum lease payments	5,432
Current capital lease obligation	<u>(3,004)</u>
Noncurrent capital lease obligation	<u>\$ 2,428</u>

Depreciation expense for property under capital lease was \$2,152 for the year ended June 30, 2016. Accumulated depreciation for property under capital lease was \$5,201 at June 30, 2016.

### Note M - Governing Board

As of June 30, 2016, the eleven members of the District's Board of Trustees were as follows:

<u>Trustee</u>	<u>Term expires</u>
Gary Lambdin, President	12/31/16
Jay Colombini, Vice President	1/06/17
Omar Khweiss, Secretary	12/31/16
Jack V. Fiori	12/31/17
Francis Groen	12/31/18
Gary Haskin	6/20/18
Michael Manna	1/06/17
Greg Selna	5/01/20
Glenn Page	12/31/18
Gregory O'Leary	1/02/20
Marc Warmerdam	1/06/17

**SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**

**Notes to Basic Financial Statements**

June 30, 2016

**Note N - Contingencies**

The District is involved in litigation arising in the ordinary course of operations that, in the opinion of management, will not have a material effect on the financial condition of the District.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**

**Schedule of the District's Proportionate Share of the Net Pension Liability  
Last 10 years\***

	December 31, <u>2015</u>	December 31, <u>2014</u>
Proportion of the net pension liability	0.5625%	0.5218%
Proportionate share of the net pension liability	\$ 8,099,359	\$ 6,874,691
Covered - employee payroll	2,932,175	2,266,428
Proportionate share of the net pension liability as percentage of covered - employee payroll	338.6%	303.33%
Plan's fiduciary net position	1,538,339,848	2,466,349,529
Plan fiduciary net position as a percentage of the total pension liability	61.10%	187.20%

**Notes to schedule:**

Benefit changes - There have been no changes in benefits since the prior valuation.

Changes in assumptions: There have been no changes in assumptions since the prior valuation.

\* Fiscal year 2015 was the 1st year of implementation, therefore, only two years are shown.

**SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**

**Schedule of Contributions  
Last 10 years\***

	December 31, <u>2015</u>	December 31, <u>2014</u>
Contractually required contribution (actuarially determined)	\$ 790,269	\$ 713,832
Contributions in relation to the actuarially determined contributions	<u>790,269</u>	<u>713,832</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 2,932,175	\$ 2,266,428
Contributions as a percentage of covered-employee payroll	33.0%	31.50%

**Notes to schedule:**

Valuation date: 1/1/2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry age normal cost method
Asset valuation method:	Actuarial value: Excess earnings smoothed over five years, 80%/120% corridor around market value
Amortization method:	Level percentage of payroll (18 years as of 1/1/2015) with separate periods for Extraordinary Actuarial Gains or Losses (24 years for 2008 losses as of 1/1/2015). Cost impact of assumption changes adopted as of 1/1/2015 to be phased in over three year period.
Discount rate:	7.50%
Amortization growth rate:	3.25%
Price Inflation:	3.00%
Salary increases:	3.25%, plus merit component based on employee classification and years of service
Mortality:	Healthy: RP-2000 Combined Healthy Table, with Generational Projection using Projection Scale BB. Disabled: RP-2000 Combined Health Table, with Generational Projection using Scale BB, Set-Forward 8 years for males and females.

\*Fiscal year 2015 was the first year of implementation, therefore, only two years are shown.



**SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**

**Statement of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - General Fund**

Year ended June 30, 2016

	Budgeted amounts <u>original/final</u>	Actual <u>amounts</u>	Variance with final budget positive/ <u>(negative)</u>
<b>Revenues</b>			
Property taxes	\$ 4,233,475	\$ 4,440,266	\$ 206,791
Property assessments	2,977,729	2,991,070	13,341
Net proceeds from sale of assets	674,100	687,948	13,848
Property tax relief	56,205	88,211	32,006
Investment income	24,910	78,574	53,664
Reimbursements and rebates	27,500	52,548	25,048
Other revenues	<u>1,500</u>	<u>2,835</u>	<u>1,335</u>
Total revenues	<u>7,995,419</u>	<u>8,341,452</u>	<u>346,033</u>
<b>Expenditures</b>			
Salaries and wages	2,379,087	2,407,949	(28,862)
Employee benefits	1,929,172	1,903,868	25,304
Chemicals	1,430,000	1,351,635	78,365
Professional services	467,000	423,210	43,790
Insurance	217,500	191,329	26,171
Payroll taxes	181,071	180,140	931
Tax administration charges	85,000	82,838	2,162
Office expense	85,000	80,301	4,699
Fuel	125,000	78,023	46,977
Maintenance of structures and grounds	75,000	57,995	17,005
Maintenance of equipment	75,000	56,115	18,885
Miscellaneous	46,600	43,137	3,463
Laboratory services	40,000	40,741	(741)
Utilities	37,500	37,089	411
Auditor's direct assessment	35,000	29,719	5,281
Transportation and travel	25,000	28,853	(3,853)
Communications	22,500	19,683	2,817
Memberships	20,000	18,392	1,608
Household expense	17,200	18,546	(1,346)
Clothing and personal supplies	17,500	13,051	4,449
Rental of equipment	15,000	5,588	9,412
Rental of structures and grounds	5,000	5,173	(173)
Auditor's payroll charges	3,500	2,266	1,234
Special departmental expense	5,000	1,327	3,673
Fees	-	660	(660)
Education reimbursements	2,500	215	2,285
Small tools and instruments	2,500	7	2,493

(Continued)

**SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**

**Statement of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - General Fund (Continued)**

Year ended June 30, 2016

<b>Expenditures (Continued)</b>			
Taxes and administration	25	-	25
Debt service			
Principal	-	2,936	(2,936)
Interest	-	164	(164)
Capital outlay	<u>346,614</u>	<u>288,446</u>	<u>58,168</u>
Total expenditures	<u>7,690,269</u>	<u>7,369,396</u>	<u>320,873</u>
 <b>Excess (deficiency) of revenues over expenditures</b>	 305,150	 972,056	 666,906
 <b>Fund balance, beginning of year</b>	 <u>11,707,247</u>	 <u>11,707,247</u>	 <u>-</u>
 <b>Fund balance, end of year</b>	 <u>\$ 12,012,397</u>	 <u>\$ 12,679,303</u>	 <u>\$ 666,906</u>

# **SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**

## **Notes to Required Supplementary Information**

June 30, 2016

The Manager of the District prepares an expenditure budget annually which is approved by the Board of Trustees setting forth the contemplated fiscal requirements. The Manager also provides a revenue budget for property taxes, special taxes and other revenues based upon estimated allocations and receipts of the related revenues. The District's budgets are maintained on the modified accrual basis of accounting. The results of operations are presented in the budget to actual schedule in accordance with the budgetary basis.

Reported budget amounts reflect the annual budget as originally adopted. There were no amendments to the budget during the year ended June 30, 2016. The budget amounts are based on estimates of the District's expenditures and the proposed means of financing them. Actual revenues and expenditures may vary significantly from budget due to timing of such revenues and expenditures.