

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

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2015

CROCE & COMPANY

Accountancy Corporation

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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 and the major fund of **San Joaquin County 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

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 of 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of **San Joaquin County Mosquito and Vector Control District** as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

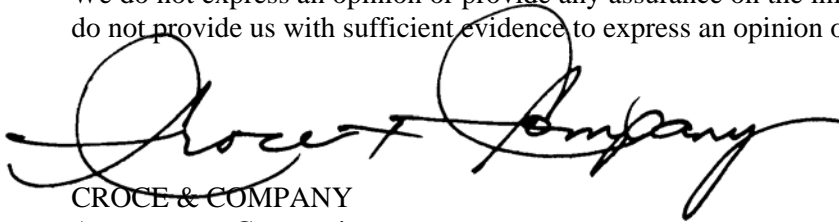
Other Matters

Change in Accounting Policy

The District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* during the year ended June 30, 2015. As discussed in Note A of the financial statements the adoption of this statement resulted in a change in accounting policy adjustment to beginning net position. Our opinion is not modified with respect to this matter.

Required Supplemental 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 36 through 39 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 & COMPANY
Accountancy Corporation
Stockton, California
December 9, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

Management's Discussion and Analysis

June 30, 2015

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, 2015. Readers should consider the information presented here in conjunction with the basic financial statements.

Financial Highlights

- Total assets of the District were \$14,613,741 with cash and cash equivalents at \$11,676,626 and capital assets at \$2,248,183, net of accumulated depreciation.
- Total liabilities were \$8,107,069, including net pension liability of \$6,874,691, compensated absences of \$571,560 and accounts payable of \$250,642.
- Assets and deferred outflows of the District exceeded liabilities and deferred inflows at the close of the most recent fiscal year by \$7,189,181 (net position). Of this amount, \$4,941,008 (unrestricted) may be used to meet the District's ongoing obligations and \$2,248,183 represents the District's net investment in capital assets.
- The District's change in net position was \$841,617 for FY 2015, which was an increase of \$279,439 from the prior year.
- Total general revenues for the fiscal year 2014-2015 were \$7,328,401. This figure is \$551,161 greater than the prior year, due primarily to an increase in property taxes of \$376,900.
- Total operating expenses for the fiscal year 2014-2015 were \$6,486,784. This figure is 0.2% less than the prior year, due primarily to a decrease in the payroll accrual in the current 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 both required supplemental information and other supplemental 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, 2015

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, 2015

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

	Net Position			
	June 30, <u>2015</u>	June 30, <u>2014</u>	Amount <u>change</u>	Percent <u>change</u>
Cash and cash equivalents	\$ 11,676,626	\$ 10,820,455	\$ 856,171	7.9
Other assets	688,932	448,167	240,765	53.7
Capital assets	<u>2,248,183</u>	<u>2,363,090</u>	<u>(114,907)</u>	(4.9)
Total assets	<u>14,613,741</u>	<u>13,631,712</u>	<u>982,029</u>	7.2
Deferred outflows of resources	<u>691,385</u>	<u>-</u>	<u>691,385</u>	100.0
Other liabilities	421,268	373,829	47,439	12.7
Long-term liabilities	811,110	776,740	34,370	4.4
Net pension liability	<u>6,874,691</u>	<u>-</u>	<u>6,874,691</u>	100.0
Total liabilities	<u>8,107,069</u>	<u>1,150,569</u>	<u>6,956,500</u>	604.6
Deferred inflows of resources	<u>8,866</u>	<u>-</u>	<u>8,866</u>	100.0
Invested in capital assets, net of related debt	2,248,183	2,363,090	(114,907)	(4.9)
Unrestricted – accrued employee leave	130,000	150,000	(20,000)	(13.3)
Unrestricted – capital assets preservation	420,000	460,000	(40,000)	(8.7)
Unrestricted – contingencies	1,135,908	1,074,607	61,301	5.7
Unrestricted – public health emergencies	1,500,000	1,500,000	-	-
Unrestricted – undesignated	<u>1,755,100</u>	<u>6,933,446</u>	<u>(5,178,346)</u>	(74.7)
Total net position, end of year	<u>\$ 7,189,191</u>	<u>\$ 12,481,143</u>	<u>\$ (5,291,952)</u>	(42.4)

The District's net position decreased by \$5,291,952 as compared to the \$279,439 increase in net position in the prior year. This is due to the District recording the net pension liability and the deferred outflows and inflows related to the District's pension plan in the current year in order to comply with GASB Statement No. 68. See Note A to the financial statements.

(Continued)

SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

Management's Discussion and Analysis (Continued)

June 30, 2015

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>2015</u>	June 30, <u>2014</u>	Amount <u>change</u>	Percent <u>change</u>
Revenues				
Property taxes	\$ 4,240,826	\$ 3,855,084	\$ 385,742	10.0
Property assessments	2,968,196	2,841,876	126,320	4.4
Reimbursements and rebates	89,056	43,257	45,799	105.9
Investment income	28,202	34,933	(6,731)	(19.3)
Other revenues	<u>2,121</u>	<u>2,090</u>	<u>31</u>	1.5
Total revenues	<u>7,328,401</u>	<u>6,777,240</u>	<u>551,161</u>	8.1
Expenditures				
Salaries and benefits	3,980,389	3,906,020	74,369	1.9
Services and supplies	2,359,545	2,429,714	(70,169)	(2.9)
Depreciation	<u>146,850</u>	<u>162,067</u>	<u>(15,217)</u>	(9.4)
Total expenditures	<u>6,486,784</u>	<u>6,497,801</u>	<u>(11,017)</u>	(0.2)
Change in net position	841,617	279,439	562,178	201.2
Net position, beginning of year, as previously stated	12,481,143	12,201,704	279,439	2.3
Change in accounting policy*	<u>(6,133,569)</u>	<u>-</u>	<u>(6,133,569)</u>	(100.0)
Net position, beginning of year, restated	6,347,574	12,201,704	(5,854,130)	(48.0)
Net position, end of year	<u>\$ 7,189,191</u>	<u>\$ 12,481,143</u>	<u>\$ (5,291,952)</u>	(42.4)

*For the purposes of the management discussion and analysis the prior year was not adjusted for the effects of GASB Statement No. 68. See Note A to the financial statements.

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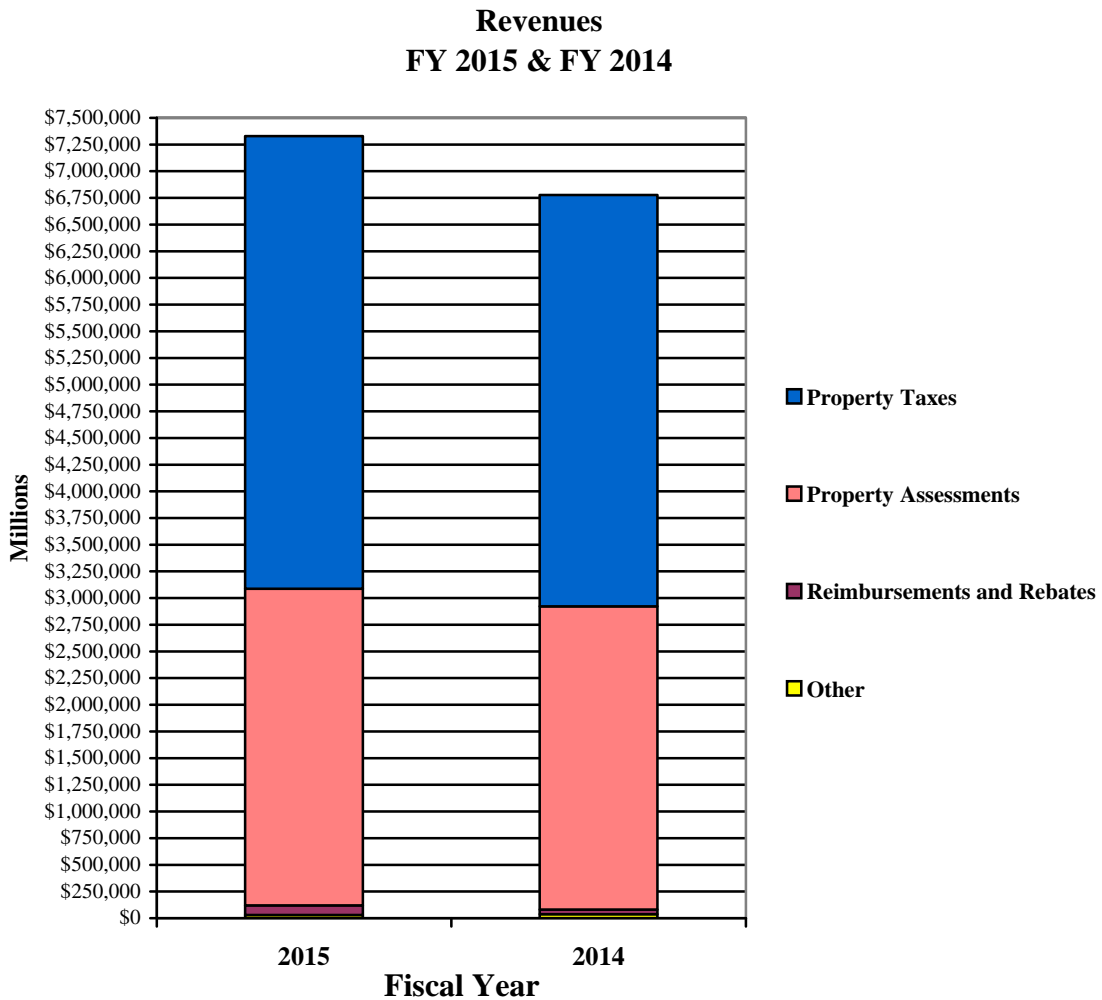
SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

Management's Discussion and Analysis (Continued)

June 30, 2015

Analysis of the more significant variances in revenues follows:

- Property taxes and property assessments have increased \$385,742 and \$126,320, respectively, which is attributable to an increase in the number of parcels subject to property tax and improvements in property values from the prior year.



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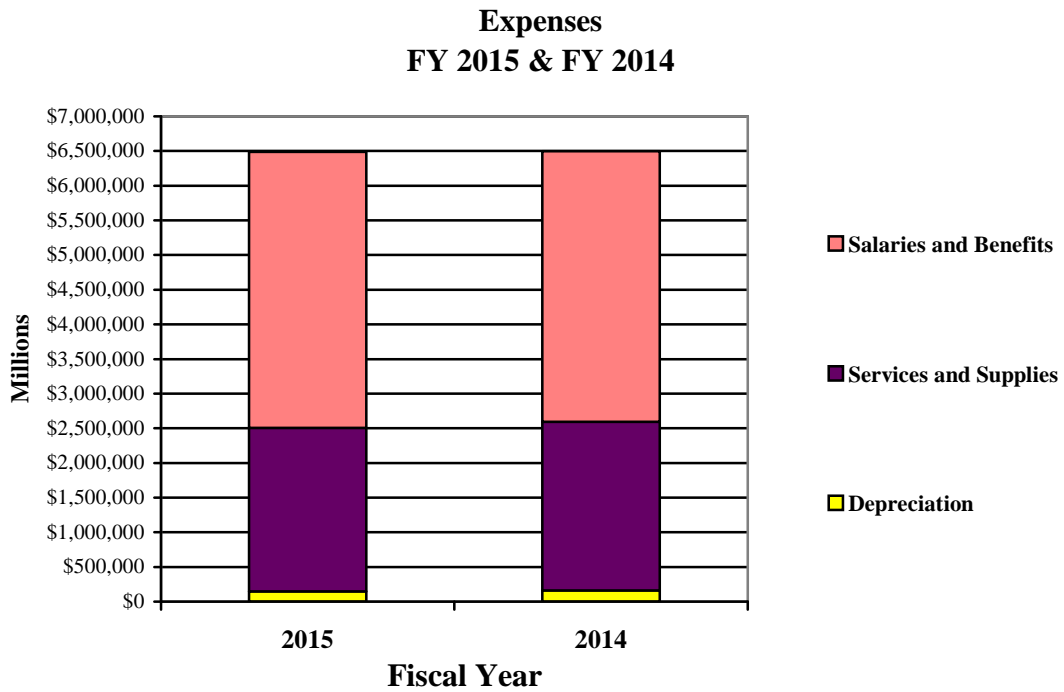
SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

Management's Discussion and Analysis (Continued)

June 30, 2015

Analysis of the more significant variances in expenses follows:

- Salaries and benefits increased \$74,369 due to approved annual increases in salaries and benefits during the year.



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SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

Management's Discussion and Analysis (Continued)

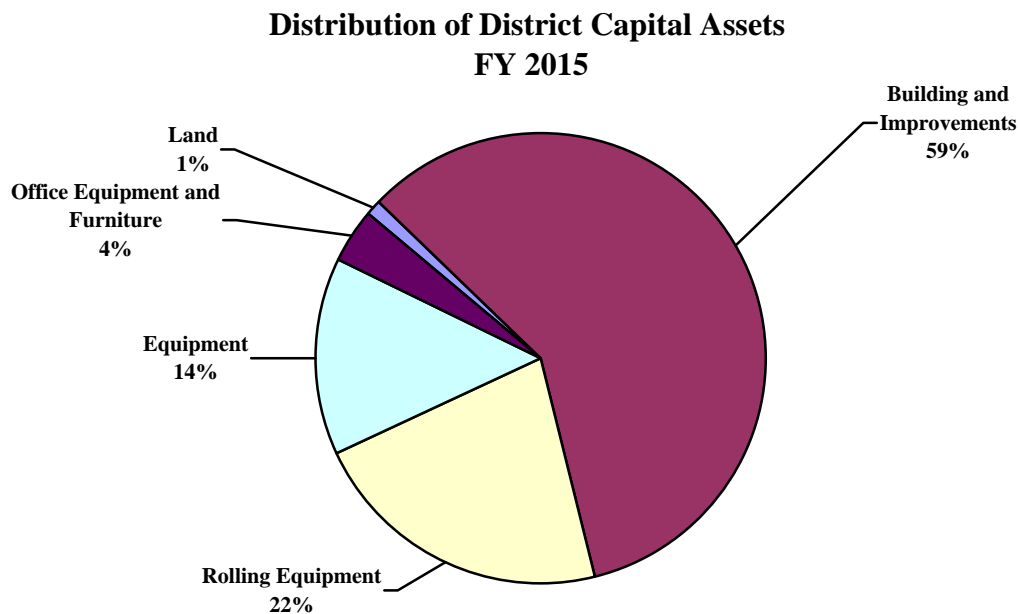
June 30, 2015

Capital Asset and Debt Administration

Capital Assets Activity

The District's net investment, after depreciation, in capital assets as of June 30, 2015 amounted to \$2,248,183. The District's capital assets include all land, buildings and improvements, rolling equipment, office furniture and equipment, and equipment owned by the District. The total decrease in the District's investment in capital assets for the current fiscal year was 4.9% or \$114,907. This represents \$146,850 of depreciation and \$1,909 of disposals offset by capital additions of \$33,852.

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, 2015.



Additional information on the District's capital assets can be found on page 23 herein.

Long Term Debt Activity

On June 30, 2015, the District had total long-term obligations outstanding of \$7,685,801. This is a \$6,909,061 increase in long-term obligations from FY 2014 and is due to the District recording the net pension liability in the current year in order to comply with GASB Statement No. 68. See Note A to the financial statements.

(Continued)

SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

Management's Discussion and Analysis (Continued)

June 30, 2015

Other future obligations include compensated absences, retiree health insurance liabilities, and other post-employment benefits other than pensions.

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 other than fully funding the OPEB liability.

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.

SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

Statement of Net Position

June 30, 2015

	<u>Governmental activities</u>
Assets	
Cash and cash equivalents	\$ 11,676,626
Accounts receivable	21,777
Interest receivable	8,677
Prefunded other post-employment benefits	84,627
Inventory	541,458
Prepaid expenses	32,393
Capital assets, net of accumulated depreciation of \$2,243,260	<u>2,248,183</u>
 Total assets	 <u>14,613,741</u>
 Deferred outflows of resources	 <u>691,385</u>
Liabilities	
Accounts payable	250,642
Accrued liabilities	170,626
Long-term liabilities due in one year	
State loan – Chapter 1168/85	67,380
Compensated absences	60,000
Retiree health insurance liabilities	20,781
Capital lease payable	<u>2,204</u>
Total long-term liabilities due in one year	<u>571,633</u>
Long-term liabilities due in more than one year	
Compensated absences	571,560
Retiree health insurance liabilities	85,202
Capital lease payable	3,983
Net pension liability	<u>6,874,691</u>
Total long-term liabilities due in more than one year	<u>7,535,436</u>
 Total liabilities	 <u>8,107,069</u>
 Deferred inflows of resources	 <u>8,866</u>
Net position	
Net investment in capital assets	2,248,183
Unrestricted	<u>4,941,008</u>
 Total net position	 <u>\$ 7,189,191</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, 2015

	<u>Expenses</u>	<u>Program revenues Operating grants and contributions</u>	<u>Net (expenses) revenues and changes in net position</u>
Governmental activities			
Operations	\$ 6,486,784	\$ -	\$ <u>(6,486,784)</u>
Net program (expenses) revenues			<u>(6,486,784)</u>
General revenues			
Property taxes			4,160,165
Property assessments			2,968,196
Property tax relief			80,661
Reimbursements and rebates			89,056
Investment income			28,202
Other revenues			<u>2,121</u>
Total general revenues			<u>7,328,401</u>
Change in net position			<u>841,617</u>
Net position, beginning of year, as previously stated			12,481,143
Change in accounting policy			<u>(6,133,569)</u>
Net position, beginning of year, as restated			<u>6,347,574</u>
Net position, end of year			<u>\$ 7,189,191</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, 2015

	<u>General fund</u>
Assets	
Assets	
Cash and cash equivalents	\$ 11,676,626
Accounts receivable	21,777
Interest receivable	8,677
Inventory	541,458
Prepaid expenses	<u>32,393</u>
Total assets	<u>\$ 12,280,931</u>
Liabilities and Fund Balance	
Liabilities	
Accounts payable	\$ 250,642
Accrued liabilities	170,626
State loan – Chapter 1168/85	67,380
Compensated absences	60,000
Retiree health insurance liabilities	20,781
Unavailable revenue	2,051
Capital lease payable	<u>2,204</u>
Total liabilities	<u>573,684</u>
Fund balance	
Nonspendable:	
Prepaid expenses	32,393
Inventory	541,458
Committed to:	
Accrued employee leave	130,000
Capital asset preservation	420,000
Contingencies	1,135,908
Public health emergencies	1,500,000
Unassigned	<u>7,947,488</u>
Total fund balance	<u>11,707,247</u>
Total liabilities and fund balance	<u>\$ 12,280,931</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, 2015

Total fund balance – governmental funds	\$ 11,707,247
Amounts reported for governmental activities in the statement of net position are different from those reported in the governmental funds because of the following:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.	
Capital assets	\$ 4,491,443
Less accumulated depreciation	<u>(2,243,260)</u>
	<u>\$ 2,248,183</u> 2,248,183
Other post-employment benefits are prefunded in the current period and, therefore, are not reported in the funds.	84,627
Unavailable revenues not received within sixty-days of year end are not current resources and, therefore, are reported as liabilities in the funds, but are reported as revenue in the statement of activities.	2,051
A portion of compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(571,560)
A portion of retiree health insurance liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(85,202)
A portion of capital lease payable is not due and payable in the current period and, therefore, is not reported in the funds.	(3,983)
Deferred outflows are not current financial resources and, therefore, are not reported in the funds.	691,385
Deferred inflows are not due and payable in the current period and, therefore, are not reported in the funds.	(8,866)
Net pension liability is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(6,874,691)</u>
Net position of governmental activities	<u>\$ 7,189,191</u>

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 Balance – Governmental Funds**

For the year ended June 30, 2015

	<u>General fund</u>
Revenues	
Property taxes	\$ 4,240,826
Property assessments	2,968,196
Other revenues	70
Reimbursements and rebates	89,056
Investment income	<u>28,202</u>
Total revenues	<u>7,326,350</u>
Expenditures	
Operating	
Salaries and benefits	3,888,427
Services and supplies	2,339,254
Capital outlay	<u>54,438</u>
Total expenditures	<u>6,282,119</u>
Excess (deficiency) of revenues over expenditures	1,044,231
Fund balance, beginning of year	<u>10,663,016</u>
Fund balance, end of year	<u>\$ 11,707,247</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 Balance –
Governmental Funds to the Statement of Activities**

For the year ended June 30, 2015

Net change in fund balances – governmental funds	\$ 1,044,231
Amounts reported for governmental activities in the statement of activities are different because:	
Change in compensated absences is recorded as an increase in expense in the statement of activities.	(62,716)
Change in retiree health insurance liabilities is recorded as a reduction in expense in the statement of activities.	(8,896)
Change in other post-employment benefit liabilities is recorded as a reduction in expense in the statement of activities.	38,253
Change in net pension liability and deferred inflows and outflows associated with pensions are recorded as an increase in expense in the statement of activities.	(58,603)
Change in capital lease payable is recorded as a reduction in expense in the statement of activities.	2,204
Governmental funds report receivables not received within sixty-days as unavailable revenues while governmental activities recognize revenue in the period it is earned.	2,051
Depreciation expense related to capital assets is recognized in the statement of activities, but is not reported in the funds.	(148,759)
Governmental funds report activity related to capital outlays as expenditures while governmental activities record depreciation expense to allocate those expenditures over the life of the assets.	<u>33,852</u>
Change in net position of governmental activities	<u>\$ 841,617</u>

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

SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

Notes to Financial Statements

June 30, 2015

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 Financial Statements

June 30, 2015

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 45 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.

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.

(Continued)

SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

Notes to Financial Statements

June 30, 2015

Note A – Summary of Significant Accounting Policies (Continued)

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.

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 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 statements is classified as net position and displayed in three components as follows:

Invested in capital assets, net of related debt – 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 Financial Statements

June 30, 2015

Note A – Summary of Significant Accounting Policies (Continued)

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

Unrestricted net position – 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 Financial Statements

June 30, 2015

Note A – Summary of Significant Accounting Policies (Continued)

Property taxes

Property taxes were levied January 1, 2014 and were payable in two installments on December 12, 2014 and April 10, 2015. 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

GASB Statement No. 68

In June 2013, GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*. This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of GASB Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The scope of this Statement addresses accounting and financial reporting for substantially all pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a nonemployer entity has a legal requirement to make contributions directly to a pension plan.

The District implemented the provisions of this Statement for the year ending June 30, 2015, with the provisions of the Statement applied retroactively. As a result of the implementation of the Statement the District recorded a net pension liability of \$6,874,691, deferred outflows of \$691,385, and deferred inflows of 8,866 as of June 30, 2015. Additionally, the District recorded an adjustment to net position as of 7/1/2014 in the amount of \$6,133,569 for the effect of the net pension liability of \$6,488,234 and deferred outflows of \$354,665 as of 6/30/2014. See additional disclosures in Note G.

SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

Notes to Financial Statements

June 30, 2015

Note B – Cash and Cash Equivalents

As of June 30, 2015, the carrying amount of the District's bank deposits was \$429,674 and the bank balance was \$444,215. In addition, as of June 30, 2015 the carrying amount of the District's insurance fund deposits and the insurance fund balance was \$696,433.

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, 2015 consists of the following:

	Investment pool fair value	Investment pool cost basis
<u>Investments in external investment pool</u>		
San Joaquin County Treasurer		
General fund	\$ 6,569,288	\$ 6,569,288
Special assessment fund	791,650	791,650
Contingency fund	1,135,016	1,135,016
General reserve fund	<u>2,054,264</u>	<u>2,054,264</u>
	<u>\$ 10,550,218</u>	<u>\$ 10,550,218</u>

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 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 Financial Statements

June 30, 2015

Note C – Capital Assets

Capital asset activity for the year ended June 30, 2015 is as follows:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2015</u>
Nondepreciable capital assets				
Land	\$ 51,612	\$ -	\$ -	\$ 51,612
Total nondepreciable capital assets	<u>51,612</u>	<u>-</u>	<u>-</u>	<u>51,612</u>
Depreciable capital assets				
Buildings and improvements	2,621,669	9,787	-	2,631,456
Rolling equipment	974,916	24,065	-	998,981
Office furniture and equipment	198,190	-	(1,909)	196,281
Other equipment	<u>613,113</u>	<u>-</u>	<u>-</u>	<u>613,113</u>
Total depreciable capital assets	4,407,888	33,852	(1,909)	4,439,831
Less accumulated depreciation	<u>(2,096,410)</u>	<u>(148,759)</u>	<u>1,909</u>	<u>(2,243,260)</u>
Total depreciable capital assets, net	<u>2,311,478</u>	<u>(114,907)</u>	<u>-</u>	<u>2,196,571</u>
 Total capital assets, net	 <u>\$ 2,363,090</u>	 <u>\$ (114,907)</u>	 <u>\$ -</u>	 <u>\$ 2,248,183</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, 2015 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 Financial Statements

June 30, 2015

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	\$ 14,522,416
Total liabilities	<u>9,199,159</u>
Net position	<u>\$ 5,323,257</u>
Total revenues	\$ 4,477,047
Total expenses	<u>4,070,681</u>
Decrease in net position	<u>\$ 406,366</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.

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.

(Continued)

SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

Notes to Financial Statements

June 30, 2015

Note E – Risk Management (Continued)

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, 2015 was \$605,964.

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, 2015 was \$90,469.

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, 2015, the District's accrued liability for accumulated unused vacation leave and overtime is \$200,138. 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.

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 \$431,422. The estimated liability was based on the employees vesting method and various retirement assumptions with certain modifications for the year ended June 30, 2015. The current portion of the liability was estimated to be \$60,000. The remainder has been recorded in the statement of net assets as the liability is expected to be liquidated with future resources and not with expendable available resources.

(Continued)

SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

Notes to Financial Statements

June 30, 2015

Note F – Compensated Absences (Continued)

The accumulated unused sick leave is converted to a sick leave bank by the District at the rate established by 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 (refer to Note G). 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, 2015, the District was reimbursed for post-employment benefits paid in the amount of \$68,959 from 18 retirees.

Note G – Defined Benefit Pension Plan

Plan description

The District contributes to the Association, a cost-sharing multiple-employer defined benefit pension plan administered by the Board of Retirement. The Association provides retirement, disability, death, and survivor benefits to plan members and beneficiaries. The County Employee’s Retirement Act of 1937 is the statutory basis for the Association. The Board of Retirement has the authority to establish and amend benefit provisions. The Association issues a publicly available financial report that includes financial statements and required supplementary information for the Association. 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.

Funding policy

Contribution rates are based on plan members’ annual covered salary, specific tier, and are actuarially determined. As of June 30, 2015, average contribution rates are as follows:

	<u>General members</u>
Employer rates (average)	33.45%
Employee rates (average)	6.18%

(Continued)

SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

Notes to Financial Statements

June 30, 2015

Note G – Defined Benefit Pension Plan (Continued)

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 Association. As of June 30, 2015 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 association.

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 Association for the years ended June 30, 2015, 2014, and 2013 were \$713,832, \$656,618, and \$647,983, respectively, equal to the required contributions for each year.

Net pension liability

At June 30, 2015, the District reported a liability of \$6,874,691, for its proportional share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 organizations, actuarially determined. At December 31, 2014, the District's proportion was 0.5218%, which was an increase of .0032% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the District recognized pension expense of 792,566. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between projected and actual investment earnings	\$ 273,025	\$ -
Changes in proportion and differences between contributions and proportionate share of pension expense	31,797	8,866
District contributions subsequent to the measurement date	<u>386,563</u>	<u>-</u>
Total	<u>\$ 691,385</u>	<u>\$ 8,866</u>

(Continued)

SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

Notes to Financial Statements

June 30, 2015

Note G – Defined Benefit Pension Plan (Continued)

The \$386,563 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 for the years ending June 30, 2016, 2017, 2018 and 2019 in the amount of \$74,197, \$74,197, \$74,197 and \$73,365, respectively.

Actuarial Assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 3%
- Amortization growth rate: 3.25%
- Salary increases: 3.25% plus merit component
- COLA increases: 2.60%
- Investment rate of return: 7.5%, net of investment expense
- Post-Retirement Mortality: Sex distinct RP-2000 Combined Mortality, projected with generational improvements using Scale BB

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 and by adding expected inflation. The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed income	24.00%	1.20%
U.S. Equities	16.25%	5.80%
Non-U.S. Equities	16.25%	6.20%
Global Equity	1.50%	6.20%
Real Estate	10.00%	4.40%
Real Assets	7.00%	1.80%
Global Opportunistic Strategy	15.00%	7.50%
Risk Parity	<u>10.00%</u>	4.50%
Total	<u><u>100.00%</u></u>	

(Continued)

SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

Notes to Financial Statements

June 30, 2015

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 that employee contributions will be made at the current contribution rate and that contributions from organizations will be made at contractually required rates, actuarially determined. 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 active and inactive employees. 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 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 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>Discount rate</u>	Districts proportionate share of net <u>pension liability</u>
1% decrease	6.50%	\$9,533,381
Current discount rate	7.50%	\$6,874,691
1% increase	8.50%	\$4,686,292

Detailed information about the pensions plan’s fiduciary net position is available in the separately issued San Joaquin County Employees’ Retirement Association financial report.

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 Financial Statements

June 30, 2015

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 10th anniversary of participation in the plan). As of June 30, 2015, 18 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, 2015, the District recorded an asset for the difference between the prefunded amount and the actuarially determined annual OPEB cost. Subsequent to year end, on November 17, 2015, the District, pursuant to Resolution 15/16-5, elected to contribute \$433,118 to prefund 100% of its current OPEB liability balance held with CERBT.

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, 2015, the District contributed \$46,983 to the Plan. The District has prefunded a Net OPEB Asset of \$84,627.

(Continued)

SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

Notes to Financial Statements

June 30, 2015

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

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, 2015:

Annual required contribution	\$ 46,983
Interest on net OPEB obligation (asset)	(2,898)
Adjustment to annual required contribution	<u>29,711</u>
Annual OPEB expense	<u>73,796</u>
Contributions made:	
Retired employees post-employment medical benefit payments	65,066
Contribution to OPEB Trust	<u>46,983</u>
Total employer contribution	<u>112,049</u>
Change in net OPEB asset	(38,253)
Net OPEB obligation (asset) , beginning of year	<u>(46,374)</u>
Net OPEB obligation (asset), end of year	<u><u>\$ (84,627)</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 \$1,510,904 and \$730,561, 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 \$780,343 as of June 30, 2015.

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 (UAAL) (a) – (b)	Funded status (b) / (a)	Annual covered payroll (c)	UAAL as a percentage of covered payroll [(a) – (b)] / (c)
6/30/13	7/1/11	971,335	608,722	362,613	62.67	2,228,330	16.27
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

(Continued)

SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

Notes to Financial Statements

June 30, 2015

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

Three-year trend information

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

<u>Fiscal year ended</u>	<u>Annual OPEB cost</u>	<u>Percentage of annual OPEB costs contributed</u>	<u>Net OPEB obligation</u>
6/30/13	\$ 52,719	201.15%	\$ 33,684
6/30/14	45,697	275.19	(46,374)
6/30/15	73,796	151.84	(84,627)

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 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, 2015 was 26 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, 2015 was \$105,983. The current portion of the liability was estimated to be \$20,781 and the long-term portion as of June 30, 2015 was \$85,202.

SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

Notes to Financial Statements

June 30, 2015

Note J – Insurance Coverage

The District is covered by the following types of insurance as of June 30, 2015:

<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	1,000,000
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 and up
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	1,000,000
Deductible each loss	15,000

SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

Notes to Financial Statements

June 30, 2015

Note K – Capital Lease

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 payments required under the capital lease as of June 30, 2015:

<u>Year ending June 30.</u>	
2016	\$ 2,324
2017	2,324
2018	<u>1,814</u>
Total minimum lease payments	<u>6,462</u>
Less amounts representing interest	<u>(275)</u>
Present value of net minimum lease payments	<u>6,187</u>
Less current portion	<u>(2,204)</u>
Long-term	<u>\$ 3,983</u>

Depreciation expense for property under capital lease was \$2,152 for the year ended June 30, 2015. Accumulated depreciation for property under capital lease was \$3,049 at June 30, 2015.

Note L – Governing Board

As of June 30, 2015, 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
Joy Meeker, Secretary	6/07/16
Michael Manna	1/06/17
Marc Warmerdam	1/06/17
Chester C. Miller	12/31/16
Omar Khweiss	12/31/16
Gregory O’Leary	1/02/16
Francis Groen	12/31/18
Jack V. Fiori	12/31/17
Glenn Page	12/31/18

SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

Notes to Financial Statements

June 30, 2015

Note M – Contingencies

The District is involved in pending and/or threatened litigation involving two former employees. These claims are independent of one another and, in the opinion of management, will not have a material effect on the financial condition of the District. However, at this time management is unable to determine a potential range of loss associated with these claims.

Note N – Subsequent Events

Management of the District has evaluated subsequent events through December 9, 2015, the date these financial statements were available to be issued, and has determined there were no material events requiring disclosure, other than the prefunding of the OPEB plan as described in Note I.

REQUIRED SUPPLEMENTAL INFORMATION

SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

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

June 30, 2015

	<u>December 31, 2014</u>
Proportion of the net pension liability	0.5218%
Proportionate share of the net pension liability	\$ 6,874,691
Covered – employee payroll	\$ 2,266,428
Proportionate share of the net pension liability as percentage of covered employee payroll	303.33%
Plans' fiduciary net position	\$ 2,466,349,529
Plan fiduciary net position as a percentage of the total pension liability	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 one year is shown.

SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

**Schedule of Contributions
Last 10 Years***

June 30, 2015

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

Notes to Schedule

Valuation date: 1/1/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method: Entry Age Normal

Asset valuation method: Actuarial value: Excess earnings smoothed over five years, 80%/120% corridor around market value.

Amortization method: Level percentage of payroll (20 years as of 1/1/2013) with separate periods for Extraordinary Actuarial Gains or Losses (26 years for 2008 losses as of 1/1/2013). Cost impact of assumption changes adopted as of 1/1/2013 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 1st year of implementation, therefore only one year is 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, 2015

	Budgeted amounts <u>original/final</u>	Actual <u>amounts</u>	Variance with final budget positive/ <u>(negative)</u>
Revenues			
Property taxes	\$ 3,866,735	\$ 4,160,165	\$ 293,430
Property assessments	2,935,210	2,968,196	32,986
Other revenues	9,000	70	(8,930)
Property tax relief	58,140	80,661	22,521
Reimbursements and rebates	36,665	89,056	52,391
Investment income	<u>22,206</u>	<u>28,202</u>	<u>5,996</u>
Total revenues	<u>6,927,956</u>	<u>7,326,350</u>	<u>398,394</u>
Expenditures			
Salaries and wages	2,417,056	2,323,557	93,499
Employee benefits	1,520,632	1,384,153	136,479
Chemicals	1,375,000	1,104,938	270,062
Professional services	441,625	423,523	18,102
Insurance	200,810	178,558	22,252
Payroll taxes	183,952	180,717	3,235
Fuel	134,360	109,303	25,057
Tax administration charges	86,000	80,994	5,006
Maintenance of equipment	55,000	69,238	(14,238)
Office expense	65,450	75,382	(9,932)
Miscellaneous	48,700	45,091	3,609
Utilities	35,000	35,498	(498)
Laboratory services	42,000	41,307	693
Auditor's direct assessment	31,000	29,494	1,506
Communications	19,200	20,940	(1,740)
Transportation and travel	25,000	25,407	(407)
Maintenance of structures and grounds	26,000	27,677	(1,677)
Household expense	21,000	16,017	4,983
Memberships	19,500	17,839	1,661
Rental of equipment	15,000	8,377	6,623
Clothing and personal supplies	15,000	16,062	(1,062)
Special departmental expense	2,500	2,192	308
Rental of structures and grounds	5,500	4,691	809
Auditor's payroll charges	-	2,971	(2,971)
Small tools and instruments	1,500	1,114	386
Education reimbursements	2,500	2,624	(124)
Taxes and administration	100	17	83
Capital outlay	<u>179,500</u>	<u>54,368</u>	<u>125,132</u>
Total expenditures	<u>6,968,885</u>	<u>6,282,049</u>	<u>686,836</u>
Excess (deficiency) of revenues over expenditures	(40,929)	1,044,301	1,085,230
Fund balance, beginning of year	<u>10,663,016</u>	<u>10,663,016</u>	<u>-</u>
Fund balance, end of year	<u>\$ 10,622,087</u>	<u>\$ 11,707,317</u>	<u>\$ 1,085,230</u>

SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

Notes to Required Supplemental Information

June 30, 2015

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, 2015. 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.