

West Valley Mosquito and Vector Control District

Ontario, California

Annual Financial Report

For the Year Ended June 30, 2021



West Valley Mosquito and Vector Control District
Annual Financial Report
For the Year Ended June 30, 2021

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
of the West Valley Mosquito and Vector Control District
Ontario, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the West Valley Mosquito and Vector Control District (the "District") as of and for the year ended June 30, 2021, and the related notes to the basic 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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 entity'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 entity'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 and the general fund of the District, as of June 30, 2021, 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.

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To the Board of Trustees
of the West Valley Mosquito and Vector Control District
Ontario, California
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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 9 and the Budgetary Comparison Schedule – General Fund, Schedule of the District's Proportionate Share of the Plan's Net Pension Liability and the Schedule of the District's Contributions to the Pension Plan on pages 43 through 45, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

The Pw Group, LLP

Santa Ana, California
November 19, 2021



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Independent Auditors' Report

To the Board of Trustees
of the West Valley Mosquito and Vector Control District
Ontario, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of the West Valley Mosquito and Vector Control District (the "District") as of and for the year ended June 30, 2021, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 19, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

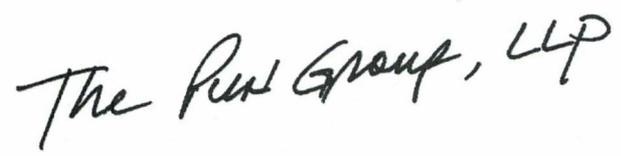
Compliance and Other Matters

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

To the Board of Trustees
of the West Valley Mosquito and Vector Control District
Ontario, California
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Purpose of this Report

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

A handwritten signature in black ink that reads "The Per Group, LLP". The signature is written in a cursive, slightly slanted style.

Santa Ana, California
November 19, 2021

West Valley Mosquito and Vector Control District

Management's Discussion and Analysis (Unaudited)

For the Year Ended June 30, 2021

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the West Valley Mosquito and Vector Control District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The District's net position increased 3.22%, or \$181,145 from the prior year's net position of \$5,623,215 to \$5,804,360, as a result of this year's operations.
- Total revenues from all sources increased by 0.80%, or \$28,572 from \$3,592,307 to \$3,620,879, from the prior year, primarily due to an increase of \$61,987 in property assessments.
- Total expenses for the District's operations decreased by 0.96% or \$33,270 from \$3,473,004 to \$3,439,734, from the prior year. This decrease in operations expense is primarily due to a decrease in salaries and benefits.

Using This Financial Report

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

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

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

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

**West Valley Mosquito and Vector Control District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2021**

Governmental Funds Financial Statements

Balance Sheets and Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$5,804,360 as of June 30, 2021.

Condensed Statement of Net Position

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>
Assets:			
Current assets	\$ 4,080,274	\$ 3,802,954	\$ 277,320
Capital assets, net	4,093,347	4,288,478	(195,131)
Total assets	<u>8,173,621</u>	<u>8,091,432</u>	<u>82,189</u>
Deferred outflows of resources	<u>328,735</u>	<u>328,863</u>	<u>(128)</u>
Liabilities:			
Current liabilities	271,428	275,148	(3,720)
Non-current liabilities	2,423,078	2,514,866	(91,788)
Total liabilities	<u>2,694,506</u>	<u>2,790,014</u>	<u>(95,508)</u>
Deferred inflows of resources	<u>3,490</u>	<u>7,066</u>	<u>(3,576)</u>
Net position:			
Net investment in capital assets	2,046,638	2,066,978	(20,340)
Unrestricted	3,757,722	3,556,237	201,485
Total net position	<u>\$ 5,804,360</u>	<u>\$ 5,623,215</u>	<u>\$ 181,145</u>

At the end of fiscal year 2021, the District shows a positive balance in its unrestricted net position of \$3,757,722 that may be utilized in future years.

**West Valley Mosquito and Vector Control District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2021**

Government-wide Financial Analysis (Continued)

Condensed Statements of Activities

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>
Program revenues	\$ 3,610,558	\$ 3,548,041	\$ 62,517
Expenses	<u>(3,439,734)</u>	<u>(3,473,004)</u>	<u>33,270</u>
Net program expense	170,824	75,037	95,787
General revenues	<u>10,321</u>	<u>44,266</u>	<u>(33,945)</u>
Change in net position	181,145	119,303	61,842
Net position – beginning of period	<u>5,623,215</u>	<u>5,503,912</u>	<u>119,303</u>
Net position – end of period	<u>\$ 5,804,360</u>	<u>\$ 5,623,215</u>	<u>\$ 181,145</u>

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, net position increased by \$181,145, during the fiscal year ended June 30, 2021.

Total Revenues:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Increase (Decrease)</u>
Program revenues:			
Property assessments	\$ 3,299,122	\$ 3,237,135	\$ 61,987
Contract services	<u>311,436</u>	<u>310,906</u>	<u>530</u>
Total program revenues	<u>3,610,558</u>	<u>3,548,041</u>	<u>62,517</u>
General revenues:			
Investment earnings	4,148	40,800	(36,652)
Other revenues	<u>6,173</u>	<u>3,466</u>	<u>2,707</u>
Total general revenues	<u>10,321</u>	<u>44,266</u>	<u>(33,945)</u>
Total revenues	<u>\$ 3,620,879</u>	<u>\$ 3,592,307</u>	<u>\$ 28,572</u>

Total revenues from all sources increased by 0.80%, or \$28,575 from \$3,592,307 to \$3,620,879, from the prior year, primarily due to an increase of \$61,987 in property assessments.

Total Expenses:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Increase (Decrease)</u>
Expenses:			
Operations	\$ 3,185,857	\$ 3,201,015	\$ (15,158)
Depreciation expense	195,131	208,273	(13,142)
Interest expense	<u>58,746</u>	<u>63,716</u>	<u>(4,970)</u>
Total expenses	<u>\$ 3,439,734</u>	<u>\$ 3,473,004</u>	<u>\$ (33,270)</u>

**West Valley Mosquito and Vector Control District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2021**

Government-wide Financial Analysis (Continued)

Total expenses for the District's operations decreased by 0.96% or \$33,270 from \$3,473,004 to \$3,439,734, from the prior year. This decrease in operations expense is primarily due to a decrease in salaries and benefits.

Governmental Funds Financial Analysis

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, the *unreserved fund balance* may serve as a useful measure of the government's net resources for spending at the end of the fiscal year.

As of June 30, 2021, the District reported a total fund balance of \$4,048,924. An amount of \$3,554,261 constitutes the District's *unassigned fund balance*, which is available for future expenditures.

General Fund Budgetary Highlights

The final expenditures for the District at year-end were \$400,309 more than budgeted. The variance is principally due to salaries and benefits and materials and supplies being more than budget. Actual revenues were less than budgeted by \$114,821. The variance is principally due to property assessment, contract services, and investment earnings revenues being lower than budgeted.

Capital Asset Administration

Changes in capital assets for the year were as follows:

	Balance	Balance
	June 30, 2021	June 30, 2020
Capital assets:		
Non-depreciable assets	\$ 330,875	\$ 330,875
Depreciable assets	6,231,967	6,275,586
Accumulated depreciation	(2,469,495)	(2,317,983)
Total capital assets, net	\$ 4,093,347	\$ 4,288,478

At the end of fiscal year 2021, the District's investment in capital assets amounted to \$4,093,347 (net of accumulated depreciation). This investment in capital assets includes structures and improvements, equipment and vehicles.

See Note 3 for further information on the District's capital assets.

Long-Term Debt Administration

Changes in long-term debt for the year were as follows:

	Balance	Balance
	June 30, 2021	June 30, 2020
Long-term debt:		
Loan payable	\$ 2,046,709	\$ 2,221,500

**West Valley Mosquito and Vector Control District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2021**

Long-Term Debt Administration (Continued)

See Note 5 for further information on the District's long-term debt administration.

Economic and Other Factors Effecting Next Year's Operations and Budget

West Nile Virus Outbreak

The California Department of Public Health (CDPH) is reporting continued West Nile virus activity across the state and investigates numerous suspect cases in humans. The District continues to actively monitor the situation in its service area for any potential outbreaks.

Invasive Aedes mosquitoes

The District has observed a dramatic increase in the proliferation of invasive Aedes mosquitoes. These aggressive, day-biting mosquitoes are creating a greater need to inspect and treat small backyard water sources. More public outreach is needed to inform the public on how to protect from these aggressive biters. Additionally, this genus of mosquito is a cryptic breeder requiring additional technician man hours for inspections and treatment.

Tropical diseases

With the establishment of invasive Aedes mosquitoes within the District, there is a greater risk of diseases such as dengue and chikungunya will become locally transmitted. CDPH tracks many imported human cases of dengue and chikungunya each year.

Contract Services

The District will continue to seek out vector control type contract services to service certain areas that are habitat for vectors and mosquitos.

Contacting the District's Financial Management Team

The financial report is designed to provide the District's present users with a general overview of the District's finances and to demonstrate the District's accountability with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional information, please contact adminemail@wvmvcd.org or (909) 635-0307.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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West Valley Mosquito and Vector Control District
Statement of Net Position
June 30, 2021

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments (Note 2)	\$ 3,509,268
Accounts receivable – other	179,113
Accrued interest receivable	88
Materials and supplies inventory	68,302
Deposits with Vector Control Joint Powers Agency (VCJPA) (Note 10)	323,503
Total current assets	4,080,274
Non-current assets:	
Capital assets – not being depreciated (Note 3)	330,875
Capital assets – being depreciated, net (Note 3)	3,762,472
Total non-current assets	4,093,347
Total assets	8,173,621
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions (Note 6)	328,735
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	13,921
Accrued salaries and benefits	17,429
Accrued interest payable	24,305
Long-term liabilities – due in one year:	
Compensated absences (Note 4)	36,001
Loan payable (Note 5)	179,772
Total current liabilities	271,428
Non-current liabilities:	
Long-term liabilities – due in more than one year:	
Compensated absences (Note 4)	66,857
Loan payable (Note 5)	1,866,937
Net pension liability (Note 6)	489,284
Total non-current liabilities	2,423,078
Total liabilities	2,694,506
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to pensions (Note 6)	3,490
NET POSITION	
Net investment in capital assets (Note 7)	2,046,638
Unrestricted	3,757,722
Total net position	\$ 5,804,360

West Valley Mosquito and Vector Control District
Statement of Activities
For the Year Ended June 30, 2021

	Governmental Activities
Expenses:	
Mosquito and vector control:	
Operations	\$ 3,185,857
Depreciation expense	195,131
Interest expense	58,746
Total expenses	3,439,734
Program revenues:	
Charges for services:	
Property assessments	3,299,122
Contract services	311,436
Total program revenues	3,610,558
Net Revenue	170,824
General revenues:	
Investment earnings	4,148
Other revenues	6,173
Total general revenues	10,321
Change in net position	181,145
Net position:	
Beginning of year	5,623,215
End of year	\$ 5,804,360

FUND FINANCIAL STATEMENTS

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West Valley Mosquito and Vector Control District
Balance Sheet
Governmental Funds – General Fund
June 30, 2021

	General Fund
ASSETS	
Assets:	
Cash and investments	\$ 3,509,268
Accounts receivable – other	179,113
Interest receivable	88
Materials and supplies inventory	68,302
Deposits with Vector Control Joint Powers Agency (VCJPA)	323,503
Total assets	\$ 4,080,274
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable and accrued expenses	\$ 13,921
Accrued salaries and benefits	17,429
Total liabilities	31,350
Fund balance: (Note 8)	
Nonspendable	391,805
Assigned	102,858
Unassigned	3,554,261
Total fund balance	4,048,924
Total liabilities and fund balance	\$ 4,080,274

West Valley Mosquito and Vector Control District
Reconciliation of the Balance Sheet of Governmental Funds to the
Government-Wide Statement of Net Position
June 30, 2021

Fund Balance – Governmental Funds \$ 4,048,924

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets. 4,093,347

Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities' both current and long-term, are reported in the statement of net position as follows:

Accrued interest payable	\$ (24,305)	
Compensated absences	(102,858)	
Loan payable	<u>(2,046,709)</u>	(2,173,872)

Net pension liabilities and the related deferred outflows of resources and deferred inflows of resources are not due and payable in the current period or not available for current expenditures and are not reported in the governmental fund financial statements:

Pension related deferred outflows of resources	328,735	
Net pension liabilities	(489,284)	
Pension related deferred inflows of resources	<u>(3,490)</u>	(164,039)
Total adjustments		<u><u>1,755,436</u></u>

Net Position – Governmental Activities \$ 5,804,360

West Valley Mosquito and Vector Control District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds - General Funds
For the Year Ended June 30, 2021

	General Fund
Revenues:	
Charges for services:	
Property assessments	\$ 3,299,122
Contract services	311,436
Investment earnings	4,148
Other revenues	6,173
Total revenues	3,620,879
Expenditures:	
Current:	
Salaries and benefits	2,249,499
Materials and services	850,280
Debt service:	
Principal	174,791
Interest	60,821
Total expenditures	3,335,391
Net change in fund balance	285,488
Fund balance:	
Beginning of year	3,763,436
End of year	\$ 4,048,924

West Valley Mosquito and Vector Control District
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

Net Change in Fund Balance – Governmental Funds	\$	285,488
 Amounts reported for governmental activities in the statement of activities is different because		
 Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those capitalized assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Depreciation expense	\$ (195,131)	(195,131)
 Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
		(4,406)
 Pension expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
		(81,672)
 Principal repayment of long-term debt is reported as an expenditure in governmental funds. However, principal repayments reduce liabilities in the statement of net position and do not result in expenses in the statement of activities.		
Repayment of debt principal	174,791	
Interest expense	2,075	176,866
Total adjustments		(104,343)
 Change in Net Position – Governmental Activities	 \$	 181,145

NOTES TO THE BASIC FINANCIAL STATEMENTS

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West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

The West Valley Mosquito and Vector Control District (District) is located in Ontario, California. The District was formed pursuant to Section 2200 et. Seq., of the Health and Safety Code and incorporated in the State of California in 1983. The District covers a wide area of San Bernardino County and includes the cities of Chino, Ontario, Chino Hills, Rancho Cucamonga, Montclair, Upland and portions of the areas of unincorporated territory in San Bernardino County. The purpose of the District is to provide mosquito and other vector control to protect the residents within the District's service area from mosquito-borne disease and from other vectors. The District is governed by a seven-member Board of Trustees.

Basis of Accounting and Measurement Focus

The District's financial statements are prepared in conformity with U.S. GAAP. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

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 the activities of the primary government. The effect of inter-fund activity has been removed from these statements and eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred.

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 to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

In accordance with U.S. GAAP the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as a revenue until that time.

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Measurement Focus (Continued)

Fund Financial Statements

These statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. Incorporated into these statements is a schedule to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-wide Financial Statements. The District has presented its General Fund, as its major fund, in this statement to meet the qualifications of U.S. GAAP.

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period.

Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the District are property taxes and assessments, interest earnings, investment revenue and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, exceptions to this rule include principal and interest on debt, which are recognized when due.

The District reports the following major funds:

General Fund – is a government’s primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund when necessary

Fair Value Measurements

Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurements and Applications*, provides framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value with Level 1 given the highest priority and Level 3 the lowest priority. The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within *Level 1* that are observable for the asset or liability, either directly or indirectly. *Level 2* inputs include the following:

- a) Quoted prices for similar assets or liabilities in active markets.
- b) Quoted prices for identical or similar assets or liabilities in markets that are not active.
- c) Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates).
- d) Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

Level 3 inputs are unobservable inputs for the asset or liability.

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Materials and Supplies Inventory

Inventories consist of expendable chemicals and supplies and are valued at cost using a first-in first-out basis.

Prepaid Items

Certain payments to vendors reflects costs or deposits applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets are recorded in the government-wide financial statements. Included in capital assets is equipment used at the District. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated acquisition value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent the District’s capitalization threshold is met. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Asset Class	Useful Lives
Structures and improvements	7-50 years
Equipment and Vehicles	5-15 years
Office equipment	3-5 years

Compensated Absences

Accrued Vacation – Upon completion of 1 through 4 years of employment, 80 vacation hours are earned, from year 5 through year 10, 120 vacation hours are earned, after 10 years, 160 vacation hours are earned per year to a maximum accrual amount of 240 hours, with the exception of the District Manager which is 540 hours.

Accrued Sick Leave – shall accumulate at the rate of 3.69 hours per pay-period, 96 hours per year to a maximum accrual amount of 1,040 hours.

Pension Plan

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

Property Assessments

Property assessments determined by the District are included on property tax bills of San Bernardino County within the District’s service area. Property assessments are recorded as revenue when received, in the fiscal year of receipt, because of the adoption of the *alternate method of property tax distribution* known as the Teeter Plan, by the District and San Bernardino County. San Bernardino County remits the property assessments to the District throughout the fiscal year.

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Net Position

Net position is categorized as follows:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt against the acquisition, construction or improvement of those assets.

Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The District has no restricted net position as of June 30, 2021.

Unrestricted – This component of net position consists of net amount of assets that are not included in the determination of *restricted* or *net investment in capital assets*.

Fund Balance

The financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

Nonspendable – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

Restricted – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.

Committed – amounts that can only be used for specific purposes determined by formal action of the District's highest level of decision-making authority (the Board of Trustees) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

Assigned – amounts that are constrained by the District's intent to be used for specific purposes. 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 – the residual classification for the District's general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Board of Trustees establishes, modifies or rescinds fund balance commitments and assignments by passage of a resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

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

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned and unassigned fund balances are considered unrestricted.

The purpose of the District’s fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising assessments and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in District net position during the reporting period. Actual results could differ from those estimates.

Note 2 – Cash and Investments

Cash and investments as of June 30, 2021 consisted of the following:

Description	Balance
Demand deposits with financial institutions	\$ 2,908,353
Investments	600,915
Total cash and investments	\$ 3,509,268

Demand Deposits

At June 30, 2021 the carrying amount of the District’s demand deposits was \$2,908,353 and the financial institution balance was \$2,949,844. The \$41,491 net difference as of June 30, 2021 represents outstanding checks, deposits-in-transit and/or other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC.

The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 2 – Cash and Investments (Continued)

Investments

Investments as of June 30, 2021 consisted of the following:

<u>Investments</u>	<u>Fair Value</u> <u>June 30, 2021</u>	<u>Maturity</u> <u>12 Months or</u> <u>Less</u>
External Investment Pools:		
California Local Agency Investment Fund (LAIF)	\$ 108,284	\$ 108,284
CalTRUST – Short Term Fund	382,933	382,933
CalTRUST – Medium Term Fund	109,698	109,698
Total investments	\$ 600,915	\$ 600,915

Authorized Investments and Investment Policy

The District has adopted an investment policy directing the Fiscal Officer to deposit funds in financial institutions.

Investments are to be made in the following areas:

- External Investment Pools:
 - California Local Agency Investment Fund (LAIF)
 - Investment Trust of California – CalTRUST
- Non-negotiable certificates-of-deposit
- Governmental agency securities

Investment in California – Local Agency Investment Fund (LAIF)

The District is a voluntary participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District’s investment in this pool is reported in the accompanying financial statements at amounts based upon the entity’s pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Further information about LAIF is available on the California State Controller’s website: www.treasurer.ca.gov/pmia-laif/

The District’s investment with LAIF at June 30, 2021 included a portion of the pool funds invested in structured notes and asset-backed securities:

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities: generally mortgage-backed securities that entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (for example, Collateralized Mortgage Obligations) or credit card receivables.

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 2 – Cash and Investments (Continued)

Investment in California – Local Agency Investment Fund (LAIF)(Continued)

LAIF has indicated to the District that as of June 30, 2021 the value of LAIF's portfolio approximated \$193,317 billion. As of June 30, 2021, the District had \$108,275 invested in LAIF, which had invested 1.10% of the pool's investment funds in structured notes and medium-term asset-backed securities.

Deposits and withdrawals to and from LAIF are transferred on the basis of \$1 and not fair value. Accordingly, under the fair value hierarchy, LAIF is valued based on inputs not categorized as level 1, level 2 or level 3.

Investment Trust of California – CalTRUST

The Investment Trust of California, doing business as CalTRUST, is a California joint powers agency which provides California public agencies with investment management services for surplus funds to consolidate investment activities of its participants and thereby reduces duplication, achieves economies of scale and carries out coherent and consolidated investment strategies through the issuance of shares of beneficial interest in investments purchased by CalTRUST. CalTRUST currently offers three accounts or series as a means for Public Agencies to invest their funds. The District participates in the CalTRUST Short-Term & Medium-Term Fund Series.

CalTRUST investments do not fall under the fair value hierarchy (i.e. uncategorized) as there is no active market for the investments.

Disclosures Relating to Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's investment policy requires that all security transactions are conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of the District's bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

As of June 30, 2021, none of the District's deposits and investments were exposed to disclosable custodial credit risk.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The District has elected to use the segmented time distribution method of disclosure for the maturities of its investments as related to interest rate risk as noted in the table above.

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 2 – Cash and Investments (Continued)

Disclosures Relating to Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization; however, LAIF and CalTRUST are not rated.

Disclosures Relating to Concentration of Credit Risk

The District's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. There were no investments in any one governmental or non-governmental issuer that represented 5% or more of the District's total investments except for those in LAIF and CalTRUST.

Note 3 – Capital Assets

Changes in capital assets for the year were as follows:

	Balance			Balance
	July 1, 2020	Additions	Deletions	June 30, 2021
Non-depreciable capital assets:				
Land	\$ 330,875	\$ -	\$ -	\$ 330,875
Total non-depreciable capital assets	<u>330,875</u>	<u>-</u>	<u>-</u>	<u>330,875</u>
Depreciable capital assets:				
Structures and improvements	5,326,274	-	-	5,326,274
Equipment and vehicles	949,312	-	(43,619)	905,693
Total depreciable capital assets	<u>6,275,586</u>	<u>-</u>	<u>(43,619)</u>	<u>6,231,967</u>
Accumulated depreciation:				
Structures and improvements	(1,507,507)	(153,590)	-	(1,661,097)
Equipment and vehicles	(810,476)	(41,541)	43,619	(808,398)
Total accumulated depreciation	<u>(2,317,983)</u>	<u>(195,131)</u>	<u>43,619</u>	<u>(2,469,495)</u>
Total depreciable capital assets, net	<u>3,957,603</u>	<u>(195,131)</u>	<u>-</u>	<u>3,762,472</u>
Total capital assets, net	<u>\$ 4,288,478</u>	<u>\$ (195,131)</u>	<u>\$ -</u>	<u>\$ 4,093,347</u>

Note 4 – Compensated Absences

Compensated absences comprise unpaid vacation leave time off which is accrued as earned.

The changes to the compensated absences balance at June 30, 2021 were as follows:

Balance			Balance	Current	Long-term
July 1, 2020	Additions	Deletions	June 30, 2021	Portion	Portion
\$ 98,452	\$ 95,524	\$ (91,118)	\$ 102,858	\$ 36,001	\$ 66,857

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 5 – Long-Term Debt

Changes in long-term debt for the year ended June 30, 2021 were as follows:

<u>Balance</u> <u>July 1, 2020</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2021</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
\$ 2,221,500	\$ -	\$ (174,791)	\$ 2,046,709	\$ 179,772	\$ 1,866,937

Loan Payable

On September 17, 2015, the District received principal proceeds of \$2,883,764 to advance refund its Certificates-of-Participation – Series 2005 RR into a 15-year 2.85% loan payable. Principal is payable annually on August 1, and interest is payable semi-annually on August 1 and February 1 at 2.85%. Annual debt service requirement for the loan payable is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 179,772	\$ 55,769	\$ 235,541
2023	184,896	50,573	235,469
2024	190,166	45,228	235,394
2025	195,585	39,731	235,316
2026	201,159	34,078	235,237
2027-2031	1,095,131	79,782	1,174,913
Total	<u>\$ 2,046,709</u>	<u>\$ 305,161</u>	<u>\$ 2,351,870</u>

Note 6 – Net Pension Liability and Defined Benefit Pension Plan

Plan Description

All full-time employees are eligible to participate in the District’s Miscellaneous Employee Pension Plan (Plan), a cost-sharing multiple employer defined benefit pension plan administered by the California Public Employees Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and may be amended by District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information. These reports can be found on the CalPERS website.

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees, and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Classic members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Public Employees’ Pension Reform Act (PEPRA) Miscellaneous members become eligible for service retirement upon attainment of age 50 for Classic Tier 1 members and 52 for PEPRA Tier 2 members with at least 5 years of service.

Participant members are eligible for non-industrial disability benefits after 5 years of service. Industrial disability benefits are not offered to miscellaneous employees.

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 6 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Benefits Provided (Continued)

A member's beneficiary may receive the basic death benefit if the member dies while actively employed. A member's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.5% @ 55	2.0 @ 62
Benefit vesting schedule	5-years of service	5-years of service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required member contribution rates	8.000%	6.750%
Required employer contribution rates	10.823%	6.985%

Employees Covered by Benefit Terms

At June 30, 2019, the valuation date, the following employees were covered by the benefit terms:

Plan Members	Miscellaneous Plans		
	Classic Tier 1	PEPRA Tier 2	Total
Active members	6	16	22
Transferred and terminated members	12	6	18
Retired members and beneficiaries	8	-	8
Total plan members	26	22	48

Contributions

Section 20814(c) of the California Public Employees' Retirement law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. 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 rates of employees.

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 6 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

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

As of June 30, 2021, the District reported a liability of \$489,284 for its proportionate share of the collective net pension liability.

The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using actuarial 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 following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool:

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2019). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2020). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2020 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (FY2020).
- (3) The individual plan's TPL, FNP, and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from step (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the measurement date is equal to the risk pool TPL generated in step (2) multiplied by the TPL ratio generated in step (4). The plan's FNP as of the measurement date is equal to the FNP generated in step (2) multiplied by the FNP ratio generated in step (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan's NPL at the measurement date is the difference between the TPL and FNP calculated in step (5).

The District's proportion of the net collective pension liability as of June 30, 2021 was as follows:

	Fiscal Year Ending June 30, 2021	Fiscal Year Ending June 30, 2020
Beginning of measurement period	0.003944%	0.003440%
Ending of measurement period	0.004497%	0.003944%
Change - Increase	0.000553%	0.005000%

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 6 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2021, the District recognized a pension expense of \$252,747. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the measurement date	\$ 171,075	\$ -
Difference between actual and proportionate share of employer contributions	44,903	-
Change in employer's proportion	73,008	-
Differences between expected and actual experience	25,214	-
Differences between projected and actual earnings on pension plan investments	14,535	-
Changes in assumptions	-	3,490
Total Deferred Outflows (Inflows) of Resources	\$ 328,735	\$ 3,490

\$171,075 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, 2022. 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>Amortization Period Fiscal Year Ended June 30</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2022	\$ 67,089
2023	51,248
2024	28,862
2025	6,971
Total	\$ 154,170

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 6 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions

The total pension liabilities in the June 30, 2019 actuarial valuations were determined using the following actuarial assumptions.

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.15%
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.50% thereafter

The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Preretirement and Post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 6 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Long-term Expected Rate of Return (continued)

The expected real rates of return by asset class are as followed:

Asset class ¹	Assumed asset allocation	Real Return Years 1 - 10 ²	Real Return Years 11+ ³
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
	<u>100.00%</u>		

¹ In the CalPERS' CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

² An expected inflation of 2.0% used

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the 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 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 7.15 percent, 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:

Plan Type	Plan's Net Pension Liability/(Asset)		
	Discount Rate -1% 6.15%	Current Discount Rate 7.15%	Discount Rate +1% 8.15%
CalPERS – Miscellaneous Plan	\$ 931,418	\$ 489,284	\$ 123,962

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 6 – Net Pension Liability and Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

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

Note 7 – Net Investment in Capital Assets

Net investment in capital assets as of June 30, 2021 consisted of the following:

Description	Balance
Capital assets – not being depreciated	\$ 330,875
Capital assets – being depreciated, net	3,762,472
Loan payable – current portion	(179,772)
Loan payable – noncurrent portion	(1,866,937)
Total net investment in capital assets	\$ 2,046,638

Note 8 – Fund Balance

A detailed schedule of fund balances and their funding composition at June 30, 2021 is as follows:

Description	Balance
Nonspendable:	
Materials and supplies inventory	\$ 68,302
Deposits with Vector Control Joint Powers Agency (VCJPA)	323,503
Total nonspendable	391,805
Assigned:	
Compensated absences	102,858
Unassigned:	
Unassigned	3,554,261
Total fund balances	\$ 4,048,924

Note 9 – Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program. The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2021

Note 9 – Deferred Compensation Savings Plan (Continued)

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net position.

Note 10 – Risk Management

Self-Insurance and Joint Powers Agency

The District participates with other districts in a joint venture under a joint powers agreement, which established the Vector Control Joint Powers Agency (VCJPA). The relationship between the District and the VCJPA is such that the VCJPA is not a component unit of the District for financial reporting purposes.

The VCJPA is a consortium of thirty-four districts located throughout California. It was established under the provisions of California Government Code Section 6500 et seq. The VCJPA is governed by a Board of Directors, which meets 4-5 times per year, consisting of one member from each of the four regions (Coastal, Sacramento Valley, San Joaquin Valley, and Southern California) and two members from the Trustee Advisory Council.

The District is covered for the first \$1,000,000 of each general liability claim and \$350,000 of each workers' compensation claim through the VCJPA. The District has the right to receive dividends or the obligation to pay assessments based on a formula, which, among other expenses, charges the District's account for liability losses and workers' compensation losses under their individual self-insured retention (SIR). The VCJPA participates in an excess pool, which provides general liability coverage above \$1,000,000 for each occurrence up to \$14,000,000.

The VCJPA also participates in an excess pool, which provides workers' compensation coverage from \$350,000 to \$150,000,000.

The District's share of the VCJPA's Members Trust Fund and Property Contingency Fund balance as of June 30, 2021 totaled \$323,503. The balance includes interest earnings and may be withdrawn upon leaving the plan with a sixty-day notice. At the termination of the joint powers agreement and after all claims have been settled, any excess or deficit will be divided among the districts in accordance with its governing documents.

Note 11 – Contingencies

Litigation

In the ordinary course of operations, the District is subject to other claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters will not materially affect its financial condition.

REQUIRED SUPPLEMENTARY INFORMATION

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West Valley Mosquito and Vector Control District
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2021

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for services:			
Property assessments	3,347,500	\$ 3,299,122	\$ (48,378)
Contract services	358,200	311,436	(46,764)
Investment earnings	25,000	4,148	(20,852)
Other revenues	5,000	6,173	1,173
Total revenues	<u>3,735,700</u>	<u>3,620,879</u>	<u>(114,821)</u>
Expenditures:			
Current:			
Salaries and benefits	2,428,060	2,249,499	178,561
Materials and services	986,440	850,280	136,160
Capital outlay	76,200	-	76,200
Debt service:			
Principal	175,000	174,791	209
Interest	70,000	60,821	9,179
Total expenditures	<u>3,735,700</u>	<u>3,335,391</u>	<u>400,309</u>
Net change in fund balance	<u>\$ -</u>	<u>285,488</u>	<u>\$ 285,488</u>
Fund balance:			
Beginning of year		<u>3,763,436</u>	
End of year		<u>\$ 4,048,924</u>	

Notes to the Budgetary Comparison Schedule:

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year the District prepares and submits an operating budget to the Board of Trustees no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Board of Trustees must approve all supplemental appropriations to the budget and transfers between major accounts.

West Valley Mosquito and Vector Control District
Required Supplementary Information (Unaudited)
Schedule of the District's Proportionate Share of the Plan's Net Pension Liability
For the Year Ended June 30, 2021

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date:	<u>June 30, 2020¹</u>	<u>June 30, 2019¹</u>	<u>June 30, 2018¹</u>	<u>June 30, 2017¹</u>	<u>June 30, 2016¹</u>	<u>June 30, 2015¹</u>	<u>June 30, 2014¹</u>
Proportion of the collective net pension liability	0.004497%	0.003944%	0.352500%	0.003525%	0.003105%	0.003096%	0.003038%
Proportionate share of the collective net pension liability	\$ 489,284	\$ 404,164	\$ 334,283	\$ 349,585	\$ 268,669	\$ 212,486	\$ 189,052
Covered payroll	\$ 1,508,277	\$ 1,534,361	\$ 1,379,427	\$ 1,205,929	\$ 1,074,387	\$ 992,636	\$ 884,829
Proportionate share of the collective net pension liability as a percentage of covered payroll	<u>32.44%</u>	<u>26.34%</u>	<u>24.23%</u>	<u>28.99%</u>	<u>25.01%</u>	<u>21.41%</u>	<u>21.37%</u>
Plan's fiduciary net position as a percentage of the plan's total pension liability	<u>77.71%</u>	<u>77.73%</u>	<u>75.26%</u>	<u>73.31%</u>	<u>74.06%</u>	<u>78.40%</u>	<u>79.82%</u>

¹ Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

West Valley Mosquito and Vector Control District
Required Supplementary Information (Unaudited)
Schedule of the District's Contributions to the Pension Plan
For the Year Ended June 30, 2021

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year:	2020-21 ¹	2019-20 ¹	2018-19 ¹	2017-18 ¹	2016-17 ¹	2015-16 ¹	2014-15 ¹	2013-14 ¹
Actuarially determined contribution	\$ 171,075	\$ 158,491	\$ 137,868	\$ 122,138	\$ 112,698	\$ 100,339	\$ 143,832	\$ 120,180
Contribution in relation to the actuarially determined contribution	(171,075)	(158,491)	(137,868)	(122,138)	(112,698)	(100,339)	(143,832)	(120,180)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,508,277	\$ 1,534,361	\$ 1,379,427	\$ 1,379,427	\$ 1,205,929	\$ 1,074,387	\$ 992,636	\$ 884,829
Contributions as a percentage of covered payroll	11.34%	10.33%	9.99%	8.85%	9.35%	9.34%	14.49%	13.58%

¹ Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

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