

**West Valley
Mosquito and Vector Control District**

Ontario, California

Annual Financial Report

For the Year Ended June 30, 2018

**West Valley Mosquito and Vector Control District
Annual Financial Report
For the Year Ended June 30, 2018**

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FINANCIAL SECTION

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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 (District) as of and for the year ended June 30, 2018, 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.

Auditor's 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 audits 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 opinion.

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, 2018, 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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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 10 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 41 through 43, respectively, are 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 21, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 PwC Group, LLP

Santa Ana, California
November 21, 2018



**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 each major fund of the West Valley Mosquito and Vector Control District (District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 21, 2018.

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 opinion 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*.

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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 entity'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.

The Pugh Group, LLP

Santa Ana, California
November 21, 2018

West Valley Mosquito and Vector Control District Management’s Discussion and Analysis (Unaudited) For the Year Ended June 30, 2018

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, 2018. 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 4.25%, or \$219,581 from the prior year’s net position of \$5,167,756 to \$5,387,337, as a result of this year’s operations.
- Total revenues from all sources increased by 9.80%, or \$311,131 from \$3,175,425 to \$3,486,556, from the prior year, primarily due to an increase of \$248,670 in property assessments and \$72,438 in contract services.
- Total expenses for the District’s operations increased by 12.00% or \$317,981 from \$2,649,716 to \$2,967,697, from the prior year. This increase in operations expense is primarily due to an increase in salaries and benefits including the increase in pension costs.

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, 2018**

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 \$5,387,337 as of June 30, 2018.

Condensed Statement of Net Position

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Change</u>
Assets:			
Current assets	\$ 3,413,512	\$ 3,165,376	\$ 248,136
Capital assets, net	4,647,946	4,765,088	(117,142)
Total assets	<u>8,061,458</u>	<u>7,930,464</u>	<u>130,994</u>
Deferred outflows of resources	<u>450,546</u>	<u>538,141</u>	<u>(87,595)</u>
Liabilities:			
Current liabilities	304,290	326,879	(22,589)
Non-current liabilities	2,777,646	2,874,749	(97,103)
Total liabilities	<u>3,081,936</u>	<u>3,201,628</u>	<u>(119,692)</u>
Deferred inflows of resources	<u>42,731</u>	<u>99,221</u>	<u>(56,490)</u>
Net position:			
Net investment in capital assets	2,091,260	2,047,743	43,517
Unrestricted	3,296,077	3,120,013	176,064
Total net position	<u>\$ 5,387,337</u>	<u>\$ 5,167,756</u>	<u>\$ 219,581</u>

At the end of fiscal year 2018, the District shows a positive balance in its unrestricted net position of \$3,296,077 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, 2018**

Government-wide Financial Analysis (Continued)

Condensed Statements of Activities

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Change</u>
Program revenues	\$ 3,449,703	\$ 3,128,595	\$ 321,108
Expenses	<u>(3,266,975)</u>	<u>(2,974,804)</u>	<u>(292,171)</u>
Net program expense	182,728	153,791	28,937
General revenues	<u>36,853</u>	<u>46,830</u>	<u>(9,977)</u>
Change in net position	219,581	200,621	18,960
Net position – beginning of period	<u>5,167,756</u>	<u>4,967,135</u>	<u>200,621</u>
Net position – end of period	<u>\$ 5,387,337</u>	<u>\$ 5,167,756</u>	<u>\$ 219,581</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 \$219,581, during the fiscal year ended June 30, 2018.

Total Revenues:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Increase (Decrease)</u>
Program revenues:			
Property assessments	\$ 3,048,415	\$ 2,799,745	\$ 248,670
Contract services	<u>401,288</u>	<u>328,850</u>	<u>72,438</u>
Total program revenues	<u>3,449,703</u>	<u>3,128,595</u>	<u>321,108</u>
General revenues:			
Investment earnings	13,819	8,423	5,396
Gain on disposal of capital assets	20,649	-	20,649
Other revenues	<u>2,385</u>	<u>38,407</u>	<u>(36,022)</u>
Total general revenues	<u>36,853</u>	<u>46,830</u>	<u>(9,977)</u>
Total revenues	<u>\$ 3,486,556</u>	<u>\$ 3,175,425</u>	<u>\$ 311,131</u>

•Total revenues from all sources increased by 9.80%, or \$311,131 from \$3,175,425 to \$3,486,556, from the prior year, primarily due to an increase of \$248,670 in property assessments and \$72,438 in contract services.

**West Valley Mosquito and Vector Control District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018**

Government-wide Financial Analysis (Continued)

Total Expenses:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Increase (Decrease)</u>
Expenses:			
Operations	\$ 2,967,697	\$ 2,649,716	\$ 317,981
Depreciation expense	226,031	247,247	(21,216)
Interest expense	73,247	77,840	(4,593)
Total expenses	<u>\$ 3,266,975</u>	<u>\$ 2,974,803</u>	<u>\$ 292,172</u>

Total expenses for the District's operations increased by 12.00% or \$317,981 from \$2,649,716 to \$2,967,697, from the prior year. This increase in operations expense is primarily due to an increase in salaries and benefits including the increase in pension costs.

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, 2018, the District reported a total fund balance of \$3,324,536. An amount of \$2,868,098 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 \$469,782 less than budgeted. The variance is principally due to salaries and benefits, materials and supplies, and capital outlay being lower than budget. Actual revenues were less than budgeted by \$203,267. The variance is principally due to property assessment and contract services being lower than budgeted.

Capital Asset Administration

Changes in capital assets for the year were as follows:

	<u>Balance June 30, 2018</u>	<u>Balance June 30, 2017</u>
Capital assets:		
Non-depreciable assets	\$ 330,875	\$ 330,875
Depreciable assets	6,211,269	6,129,528
Accumulated depreciation	(1,894,198)	(1,695,315)
Total capital assets, net	<u>\$ 4,647,946</u>	<u>\$ 4,765,088</u>

**West Valley Mosquito and Vector Control District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018**

Capital Asset Administration (Continued)

At the end of fiscal year 2018, the District's investment in capital assets amounted to \$4,647,946 (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 June 30, 2018	Balance June 30, 2017
Long-term debt:		
Loan payable	\$ 2,556,686	\$ 2,717,345

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 increased West Nile virus activity across the state and is investigating numerous suspect cases in humans. The District continues to monitor the situation in its service area for any potential outbreaks.

Zika

The Zika virus is transmitted by *Aedes aegypti* mosquitoes (also known as yellow fever mosquitoes) and *Aedes albopictus* mosquitoes (also known as Asian tiger mosquitoes). These mosquitoes are not native to California. However, since 2011 they have been detected in several California counties. In 2017, both species were detected within District boundaries. An *Aedes* mosquito can only transmit Zika virus after it bites a person who has this virus in their blood. Thus far in California, Zika virus infections have been documented only in people who were infected while traveling outside the United States or through sexual contact with an infected traveler. To date there has been no local mosquito-borne transmission of Zika virus in California. The District continues to monitor the situation in its service area for any potential outbreaks.

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.

**West Valley Mosquito and Vector Control District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018**

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.

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, 2018

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and investments (Note 2)	\$ 2,855,385
Property assessments receivable	35,131
Accounts receivable – other	122,399
Accrued interest receivable	487
Materials and supplies inventory	67,778
Deposits with Vector Control Joint Powers Agency (VCJPA) (Note 10)	332,332
Total current assets	<u>3,413,512</u>
Non-current assets:	
Capital assets – not being depreciated (Note 3)	330,875
Capital assets – being depreciated, net (Note 3)	4,317,071
Total non-current assets	<u>4,647,946</u>
Total assets	<u>8,061,458</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related pensions (Note 6)	450,546
Total deferred outflows of resources	<u>450,546</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	26,039
Accrued salaries and benefits	62,937
Accrued interest payable	30,361
Long-term liabilities – due in one year:	
Compensated absences (Note 4)	19,715
Loan payable (Note 5)	165,238
Total current liabilities	<u>304,290</u>
Non-current liabilities:	
Long-term liabilities – due in more than one year:	
Compensated absences (Note 4)	36,613
Loan payable (Note 5)	2,391,448
Net pension liability (Note 6)	349,585
Total non-current liabilities	<u>2,777,646</u>
Total liabilities	<u>3,081,936</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred amounts related to pensions (Note 6)	42,731
Total deferred inflows of resources	<u>42,731</u>
NET POSITION	
Net investment in capital assets (Note 7)	2,091,260
Unrestricted	3,296,077
Total net position	<u>\$ 5,387,337</u>

West Valley Mosquito and Vector Control District
Statement of Activities
For the Year Ended June 30, 2018

	Governmental Activities
Expenses:	
Mosquito and vector control:	
Operations	\$ 2,967,697
Depreciation expense	226,031
Interest expense	73,247
Total expenses	3,266,975
Program revenues:	
Charges for services:	
Property assessments	3,048,415
Contract services	401,288
Total program revenues	3,449,703
Net (Expense) Revenue	182,728
General revenues:	
Investment earnings	13,819
Gain of disposal of capital assets	20,649
Other revenues	2,385
Total general revenues	36,853
Change in net position	219,581
Net position:	
Beginning of year	5,167,756
End of year	\$ 5,387,337

FUND FINANCIAL STATEMENTS

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West Valley Mosquito and Vector Control District
Balance Sheet
Governmental Funds
June 30, 2018

		<u>General Fund</u>
ASSETS		
Assets:		
Cash and investments	\$	2,855,385
Property assessments receivable		35,131
Accounts receivable – other		122,399
Interest receivable		487
Materials and supplies inventory		67,778
Deposits with Vector Control Joint Powers Agency (VCJPA)		332,332
Total assets		<u><u>\$ 3,413,512</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable and accrued expenses	\$	26,039
Accrued salaries and benefits		62,937
Total liabilities		<u>88,976</u>
Fund balance: (Note 8)		
Nonspendable		400,110
Assigned		56,328
Unassigned		2,868,098
Total fund balance		<u>3,324,536</u>
Total liabilities and fund balance	\$	<u><u>3,413,512</u></u>

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, 2018

Fund Balance – Governmental Funds	<u>\$ 3,324,536</u>
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.	4,647,946
Deferred outflows of resources 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 deferred outflows of resources.	450,546
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	(30,361)
Compensated absences	(56,328)
Loan payable	(2,556,686)
Net pension liability	(349,585)
Deferred inflows of resources 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 deferred inflows of resources.	<u>(42,731)</u>
Total adjustments	<u>2,062,801</u>
Net Position – Governmental Activities	<u><u>\$ 5,387,337</u></u>

West Valley Mosquito and Vector Control District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2018

	General Fund
Revenues:	
Charges for services:	
Property assessments	\$ 3,048,415
Contract services	401,288
Investment earnings	13,819
Other revenues	2,385
Total revenues	3,465,907
Expenditures:	
Current:	
Salaries and benefits	2,046,984
Materials and services	821,240
Contract service costs	7,115
Capital outlay	110,681
Debt service:	
Principal	160,659
Interest	75,154
Total expenditures	3,221,833
Revenues Over (Under) Expenditures	244,074
Other Financing Sources (Uses):	
Proceeds from sales of capital assets	22,441
Total other financing sources (uses)	22,441
Net change in fund balance	266,515
Fund balance:	
Beginning of year	3,058,021
End of year	\$ 3,324,536

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, 2018

Net Change in Fund Balance – Governmental Funds \$ 266,515

Amounts reported for governmental activities in the statement of activities is different because

Some expenses reported in the statement of activities do not require the use of current financial resources. Therefore, those expenses are not reported as expenditures in governmental funds as follows:

Net change in compensated absences	19,663
Net change in deferred outflows of resources	(87,595)
Net change in net pension liability	(80,916)
Net change in deferred inflows of resources	56,490
Net change in accrued interest	1,907

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.

Capital outlay	110,681
Depreciation expense	(226,031)

The net effect of disposal of capital assets. (1,792)

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.

Total adjustments	<u>160,659</u>
	<u>(46,934)</u>

Change in Net Position – Governmental Activities \$ 219,581

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

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, 2018

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, 2018

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 \$3,000. 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, 2018

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, 2018.

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, 2018

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, 2018 consisted of the following:

Description	Balance
Demand deposits with financial institutions	\$ 2,289,980
Investments	565,405
Total cash and investments	\$ 2,855,385

Demand Deposits

At June 30, 2018 the carrying amount of the District’s demand deposits was \$2,289,980 and the financial institution balance was \$2,394,616. The \$104,636 net difference as of June 30, 2018 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, 2018

Note 2 – Cash and Investments (Continued)

Investments

Investments as of June 30, 2018 consisted of the following:

<u>Investments</u>	<u>Fair Value June 30, 2018</u>	<u>Maturity 12 Months or Less</u>
External Investment Pools:		
California Local Agency Investment Fund (LAIF)	\$ 102,570	\$ 102,570
CalTRUST – Short Term Fund	360,027	360,027
CalTRUST – Medium Term Fund	102,808	102,808
Total investments	<u>\$ 565,405</u>	<u>\$ 565,405</u>

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, 2018 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, 2018

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, 2018 the value of LAIF's portfolio approximated \$22.549 billion. As of June 30, 2018, the District had \$102,570 invested in LAIF, which had invested 2.67% 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, 2018 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, 2018

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:

	<u>Balance July 1, 2017</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2018</u>
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	803,254	110,681	(28,940)	884,995
Total depreciable capital assets	<u>6,129,528</u>	<u>110,681</u>	<u>(28,940)</u>	<u>6,211,269</u>
Accumulated depreciation:				
Structures and improvements	(1,044,110)	(156,217)	-	(1,200,327)
Equipment and vehicles	(651,205)	(69,814)	27,148	(693,871)
Total accumulated depreciation	<u>(1,695,315)</u>	<u>(226,031)</u>	<u>27,148</u>	<u>(1,894,198)</u>
Total depreciable capital assets, net	<u>4,434,213</u>	<u>(115,350)</u>	<u>(1,792)</u>	<u>4,317,071</u>
Total capital assets, net	<u>\$ 4,765,088</u>	<u>\$ (115,350)</u>	<u>\$ (1,792)</u>	<u>\$ 4,647,946</u>

Note 4 – Compensated Absences

Compensated absences comprise unpaid vacation leave time off which is accrued as earned. The District's liability for compensated absences is determined annually.

The changes to the compensated absences balance at June 30, 2018 were as follows:

<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
75,991	\$ -	\$ (19,663)	\$ 56,328	\$ 19,715	\$ 36,613

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 5 – Long-term Debt

Changes in long-term debt, which comprised of loan payable, for the year ended June 30, 2018 were as follows:

<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
2,717,345	\$ -	\$ (160,659)	\$ 2,556,686	\$ 165,238	\$ 2,391,448

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>
2019	\$ 165,238	\$ 70,511	\$ 235,749
2020	169,947	65,734	235,681
2021	174,791	60,822	235,613
2022	179,772	55,769	235,541
2023	184,896	50,573	235,469
2024-2028	1,006,592	169,582	1,176,174
2029-2031	675,450	29,237	704,687
Total	<u>\$ 2,556,686</u>	<u>\$ 502,228</u>	<u>\$ 3,058,914</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, 2018

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, 2018, are summarized as follows:

	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
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%	6.250%
Required employer contribution rates	9.498%	6.555%

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. Contributions to the pension plan from the District were \$122,138 for the year ended June 30, 2018.

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

As of June 30, 2018, the District reported a liability of \$349,585 for its proportionate share of the collective net pension liability.

The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 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.

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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)

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, 2016). 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, 2017). 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, 2017 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (FY2017).
- (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, 2018 was as follows:

	Fiscal Year Ending June 30, 2018
Measurement Date	June 30, 2017
Beginning of measurement period	0.00311%
Ending of measurement period	0.00353%
Change - Increase	0.00042%

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, 2018, the District recognized a pension expense of \$217,301. At June 30, 2018, 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	\$ 122,138	\$ -
Difference between actual and proportionate share of employer contributions	81,269	-
Adjustment due to differences in proportions	148,383	33,507
Differences between expected and actual experience	-	9,224
Differences between projected and actual earnings on pension plan investments	19,423	-
Changes in assumptions	79,333	-
Total Deferred Outflows (Inflows) of Resources	<u>\$ 450,546</u>	<u>\$ 42,731</u>

\$122,138 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, 2019. 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>
2019	\$ 142,556
2020	89,608
2021	65,045
2022	(11,532)
Total	<u>\$ 285,677</u>

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, 2016 actuarial valuations were determined using the following actuarial assumptions.

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
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	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2014 actuarial experience study for the period of 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Change in Assumptions

GASB 68, paragraph 30 states that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. In the current year, the discount rate was reduced from 7.65 percent to 7.15 percent. All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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)

Discount Rate

In determining the long-term expected 7.15 percent rate of return on pension plan investments, CalPERS took into account both short and long-term market return expectations as well as the expected pension fund cash flows. Based on the expected benefit payments of the Public Employees' Retirement Fund, CalPERS indicated that a 19 year horizon was ideal in determining the level equivalent discount rate assumption. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long term, the present value of benefits was calculated for each fund. The expected rate for return was set by calculating the single equivalent expected return of return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are the same for each Plan.

These geometric rates of return are net of administrative expenses and are summarized in the following table:

<u>Investment Type</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10¹</u>	<u>Real Return Years 11+²</u>
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	80.00%	2.27%
Inflation Sensitive	6.00%	60.00%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%
	<u>100.00%</u>		

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:

<u>Plan Type</u>	<u>Plan's Net Pension Liability/(Asset)</u>		
	<u>Discount Rate -1%</u>	<u>Current Discount</u>	<u>Discount Rate +1%</u>
	<u>6.15%</u>	<u>Rate 7.15%</u>	<u>8.15%</u>
CalPERS – Miscellaneous Plan	<u>\$ 632,674</u>	<u>\$ 349,585</u>	<u>\$ 115,125</u>

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

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 7 – Net Investment in Capital Assets

Net investment in capital assets as of June 30, 2018 consisted of the following:

Description	Balance
Capital assets – not being depreciated	\$ 330,875
Capital assets – being depreciated, net	4,317,071
Loan payable – current portion	(165,238)
Loan payable – noncurrent portion	(2,391,448)
Total net investment in capital assets	\$ 2,091,260

Note 8 – Fund Balance

A detailed schedule of fund balances and their funding composition at June 30, 2018 is as follows:

Description	Balance
Nonspendable:	
Materials and supplies inventory	\$ 67,778
Deposits with Vector Control Joint Powers Agency (VCJPA)	332,332
Total nonspendable	400,110
Assigned:	
Compensated absences	56,328
Unassigned:	
Unassigned	2,868,098
Total fund balances	\$ 3,324,536

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.

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.

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, 2018 totaled \$332,332. 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, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for services:			
Property assessments	\$ 3,187,968	\$ 3,048,415	\$ (139,553)
Contract services	468,647	401,288	(67,359)
Investment earnings	5,000	13,819	8,819
Other revenues	30,000	24,826	(5,174)
Total revenues	<u>3,691,615</u>	<u>3,488,348</u>	<u>(203,267)</u>
Expenditures:			
Current:			
Salaries and benefits	2,098,581	2,046,984	51,597
Materials and services	1,086,882	821,240	265,642
Contract service costs	37,000	7,115	29,885
Capital outlay	224,152	110,681	113,471
Debt service:			
Principal	167,000	160,659	6,341
Interest	78,000	75,154	2,846
Total expenditures	<u>3,691,615</u>	<u>3,221,833</u>	<u>469,782</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 266,515</u>	<u>\$ 266,515</u>
Fund balance:			
Beginning of year		<u>3,058,021</u>	
End of year		<u>\$ 3,324,536</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, 2018

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date:	<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	0.003530%	0.003105%	0.003096%	0.003038%
Proportionate share of the collective net pension liability	\$ 349,585	\$ 268,669	\$ 212,486	\$ 189,052
Covered payroll	\$ 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>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>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, 2018

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Fiscal Year:	<u>2017-18¹</u>	<u>2016-17¹</u>	<u>2015-16¹</u>	<u>2014-15¹</u>	<u>2013-14¹</u>
Actuarially determined contribution	\$ 122,138	\$ 112,698	\$ 100,339	\$ 143,832	\$ 120,180
Contribution in relation to the actuarially determined contribution	<u>(122,138)</u>	<u>(112,698)</u>	<u>(100,339)</u>	<u>(143,832)</u>	<u>(120,180)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered Payroll	<u>\$ 1,379,427</u>	<u>\$ 1,205,929</u>	<u>\$ 1,074,387</u>	<u>\$ 992,636</u>	<u>\$ 884,829</u>
Contributions as a percentage of covered payroll	<u>8.85%</u>	<u>9.35%</u>	<u>9.34%</u>	<u>14.49%</u>	<u>13.58%</u>

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

