



WEST VALLEY
Mosquito & Vector Control District
www.wvmosquito.org

**West Valley Mosquito and
Vector Control District
Annual Financial Report
For the Fiscal Year Ended June 30, 2015**



Mission Statement

“To enhance health and quality of life through the control of mosquitoes and other vectors and the diseases they transmit.”

West Valley Mosquito and Vector Control District Board of Trustees as of June 30, 2015

Representing	Name	Title	Appointment	Term Expiration
City of Chino	Glenn Duncan	President	January 2014	January 2018
City of Ontario	Paul Leon	Vice-President	January 2015	January 2019
City of Montclair	Carolyn Raft	Secretary	January 2012	January 2016
County of San Bernadino	Benjamin Lopez	Trustee	January 2015	January 2019
City of Chino Hills	Cynthia Moran	Trustee	January 2013	January 2017
City of Rancho Cucamonga	William Wittkopf	Trustee	January 2013	January 2017

**West Valley Mosquito and Vector Control District
Min-Lee Cheng, PhD, District Manager
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West Valley Mosquito and Vector Control District

Annual Financial Report

For the Fiscal Year Ended June 30, 2015

**West Valley Mosquito and Vector Control District
Annual Financial Report
For the Fiscal Year Ended June 30, 2015**

Table of Contents

	<u>Page No.</u>
Table of Contents	i
Financial Section	
Independent Auditor’s Report	1-2
Management’s Discussion and Analysis	3-7
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Reconciliation of the Balance Sheet of Governmental Type Funds to the Statement of Net Position	10-11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Type Funds to the Statement of Activities	12-13
Notes to the Basic Financial Statements	14-34
Required Supplementary Information Section	
Budgetary Comparison Schedule – General Fund	35
Notes to Required Supplementary Information	35
Schedule of the District’s Proportionate Share of the Net Pension Liability	36
Schedule of Pension Plan Contributions	37
Report on Internal Controls and Compliance	
Independent Auditor’s Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38-39

Financial Section



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Independent Auditor's Report

Board of Trustees
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 of West Valley Mosquito and Vector Control District (District) as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 of West Valley Mosquito and Vector Control District as of June 30, 2015, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, continued

Emphasis of matter

As described in Note 1.C to the basic financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and No. 71, *Pension Transition for Contributions made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*, for the year ended June 30, 2015. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the District's June 30, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 3 through 7, the required supplementary information on page 35 and 37 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 a report dated October 15, 2015, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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. This report can be found on pages 38 and 39.



Fedak & Brown LLP

Cypress, California

October 15, 2015

West Valley Mosquito and Vector Control District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
With Comparative Amounts as of June 30, 2014

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 years ended June 30, 2015 (with comparative information for fiscal year ended June 30, 2014). We encourage readers to consider the information presented here with additional information that we have furnished in the accompanying basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2015, the District's net position decreased by a net percentage of 4% or \$195,146 to \$4,678,996, which is comprised of an increase from normal operations of \$38,156 and a decrease from prior period adjustment of \$233,302 (Note 10) related to the implementation of GASB 68.
- In 2015, The District's beginning net position decreased 4.79% or \$233,302 to \$4,640,840, as a result of the adoption of GASB 68 in the current year. Please see Note 10 for further information.
- In 2015, total revenues from all sources increased 5.22% or \$127,813 to \$2,575,902. Program revenues increased by 3.01% or \$72,985 to \$2,499,213, due to an increase in property assessments collected. General revenues increased 250.80% or \$54,828 to \$76,689, primarily due to rebates from workers compensation and an increase in other vector control services.
- In 2015, total expenses increased by 10.35% or \$238,022 to \$2,537,746, due primarily to the new requirements needed for its facilities and maintenance department.

Using This Financial Report

This annual report consists of a series of financial statements. The Statements of Net Position and Statements 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), deferred outflows of resources, the obligations to creditors (liabilities) and deferred inflows of resources. 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 Statements of Activities. This statement measures the success of the District's operations over the past year and can be used to determine the District's net operating reserves and credit worthiness.

District Activities

The District is an independent special district, organized to specifically control mosquitoes, but has expanded service to involve other vector control activities. The District serves an area of approximately 200 square miles and 530,000 residents. The District utilizes an integrated vector management approach consisting of surveillance, sanitation, education and the judicious use of insecticides and rodenticides. The District also has a public education responsibility that serves the District's residences and provides technical support to other public service agencies.

West Valley Mosquito and Vector Control District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2015
With Comparative Amounts as of June 30, 2014

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, deferred outflows of resources, liabilities, and deferred inflows of resources 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 plus deferred outflows of resources, less liabilities, and deferred inflows of resources – 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. However, one will need to consider other non-financial factors such as changes in the District's property assessment charge to assess the *overall health* of the District.

Governmental Funds Financial Statements

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

Governmental funds are used to account for essentially the same 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. The notes to the basic financial statements can be found on pages 14 through 34.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and supplementary information concerning the District's budgetary information and compliance. The other information can be found on pages 35 through 37.

West Valley Mosquito and Vector Control District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2015
With Comparative Amounts as of June 30, 2014

Government-wide Financial Analysis

Condensed Statement of Net Position

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Assets:			
Current assets	\$ 3,065,046	4,999,650	(1,934,604)
Capital assets, net	5,239,775	3,372,276	1,867,499
Total assets	<u>8,304,821</u>	<u>8,371,926</u>	<u>(67,105)</u>
Deferred outflows of resources:	<u>143,832</u>	<u>-</u>	<u>143,832</u>
Liabilities:			
Current liabilities	359,732	292,905	66,827
Non-current liabilities	3,304,095	3,204,879	99,216
Total liabilities	<u>3,663,827</u>	<u>3,497,784</u>	<u>166,043</u>
Deferred inflows of resources:	<u>105,830</u>	<u>-</u>	<u>105,830</u>
Net position:			
Net investment in capital assets	2,082,487	129,988	1,952,499
Restricted for debt service	182,177	180,750	1,427
Unrestricted	2,414,332	4,563,404	(2,149,072)
Total net position	<u>\$ 4,678,996</u>	<u>4,874,142</u>	<u>(195,146)</u>

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 \$4,678,996 as of June 30, 2015.

At the end of fiscal year 2015, the District reflected a positive balance in its unrestricted net position of \$2,414,332 that may be utilized in future years. (See Note 8)

Condensed Statement of Activities

	<u>2015</u>	<u>2014</u>	<u>Change</u>
Expenses:			
Mosquito and vector control	\$ 2,537,746	2,299,724	238,022
Total expenses	<u>2,537,746</u>	<u>2,299,724</u>	<u>238,022</u>
Program revenues	2,499,213	2,426,228	72,985
General revenues	76,689	21,861	54,828
Total revenues	<u>2,575,902</u>	<u>2,448,089</u>	<u>127,813</u>
Change in net position	38,156	148,365	(110,209)
Net position – beginning, as previously stated	4,874,142	4,725,777	148,365
Prior period adjustment (Note 10)	(233,302)	-	(233,302)
Net position – beginning, as restated	<u>4,640,840</u>	<u>4,725,777</u>	<u>(84,937)</u>
Net position – end of period	<u>\$ 4,678,996</u>	<u>4,874,142</u>	<u>(195,146)</u>

The statements of activities show how the District's net position changed during the fiscal year.

West Valley Mosquito and Vector Control District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2015
With Comparative Amounts as of June 30, 2014

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 *unassigned 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, 2015, the District's General Fund reported a fund balance of \$2,937,560. An amount of \$2,510,924 constitutes the District's *unassigned fund balance*, which is available for future District operations. (See Note 9 for further information on the District's fund balances.)

General Fund Budgetary Highlights

The final actual expenditures for the General Fund at year-end were \$242,034 more than budgeted. Actual revenues were more than the anticipated budget by \$79,437. (See Budgetary Comparison Schedule for General Fund under Required Supplementary section on page 35).

Capital Asset Administration

Changes in capital assets for the year were as follows:

	<u>Balance 2014</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2015</u>
Non-depreciable assets	\$ 933,467	1,801,340	-	2,734,807
Depreciable assets	3,592,493	213,928	(35,614)	3,770,807
Accumulated depreciation	<u>(1,153,684)</u>	<u>(147,769)</u>	<u>35,614</u>	<u>(1,265,839)</u>
Total capital assets, net	<u>\$ 3,372,276</u>	<u>1,867,499</u>	<u>-</u>	<u>5,239,775</u>

At the end of fiscal year 2015, the District's investment in capital assets amounted to \$5,239,775 (net of accumulated depreciation). This investment in capital assets includes buildings and improvements, vehicles, equipment, machinery and furniture and fixtures. (See Note 3)

Debt Administration

At the end of fiscal year 2015, the District had long-term debt totaling \$3,065,972. (See Note 6)

	<u>Balance 2014</u>	<u>Additions</u>	<u>Payments/ Amortization</u>	<u>Balance 2015</u>
Certificates of participation, net	\$ 3,215,000	-	(85,000)	3,130,000
Premium on Certificates of Participation	<u>27,288</u>	<u>-</u>	<u>(1,316)</u>	<u>25,972</u>
Less current portion	<u>(85,000)</u>	<u>-</u>	<u>-</u>	<u>(90,000)</u>
Non-current portion	<u>\$ 3,157,288</u>			<u>3,065,972</u>

West Valley Mosquito and Vector Control District
Management's Discussion and Analysis, continued
For the Fiscal Year Ended June 30, 2015
With Comparative Amounts as of June 30, 2014

Conditions Affecting Current Financial Position

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

Requests for Information

The 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 the District's Manager, Min-Lee Cheng, at the West Valley Mosquito and Vector Control District, 1295 East Locust Street, Ontario, California, 91761 or (909) 635-0307.

Basic Financial Statements

West Valley Mosquito and Vector Control District
Statement of Net Position
June 30, 2015

	2015
Current assets:	
Cash and cash equivalents (note 2)	\$ 2,664,455
Cash and cash equivalents - restricted (note 2)	247,010
Accrued interest receivable	424
Accounts receivable	62,751
Materials and supplies inventory	90,406
Total current assets	3,065,046
Non-current assets:	
Capital assets, not being depreciated (note 3)	2,734,807
Capital assets being depreciated, net (note 3)	2,504,968
Total non-current assets	5,239,775
Total assets	8,304,821
Deferred outflows of resources	
Deferred pension outflows (note 4 and 7)	143,832
Current liabilities:	
Accounts payable and accrued expenses	96,244
Accrued salaries and related liabilities	31,242
Accrued interest payable	64,833
Unearned revenue	37,264
Long-term liabilities – due within one year:	
Compensated absences (note 5)	40,149
Certificates of participation (note 6)	90,000
Total current liabilities	359,732
Non-current liabilities:	
Long-term liabilities – due in more than one year:	
Compensated absences (note 5)	49,071
Certificates of participation, net (note 6)	3,065,972
Net pension liability (note 7)	189,052
Total non-current liabilities	3,304,095
Total liabilities	3,663,827
Deferred inflows of resources	
Deferred pension inflows (note 7)	105,830
Net position: (note 8)	
Net investment in capital assets	2,082,487
Restricted for debt service	182,177
Unrestricted	2,414,332
Total net position	\$ 4,678,996

See accompanying notes to the basic financial statements

West Valley Mosquito and Vector Control District
Statement of Activities
For the Fiscal Year Ended June 30, 2015

	2015
Expenses:	
Mosquito and vector control:	
Salaries and benefits	\$ 1,467,333
Scientific, field and laboratory	58,837
Facilities and maintenance	291,880
Materials and supplies	251,711
Professional/specialized services	82,994
Insurance	82,654
Interest expense	154,567
Depreciation	147,770
	2,537,746
Program revenues:	
Charges for services – property assessments	2,488,857
Charges for services – direct contract	10,356
	2,499,213
	(38,533)
General revenues:	
Interest earnings	11,803
Other	64,886
	76,689
	38,156
Net position – beginning of period, as restated (Note 10)	4,640,840
Net position – end of period	\$ 4,678,996

See accompanying notes to the basic financial statements

West Valley Mosquito and Vector Control District
Reconciliation of the Balance Sheet of Governmental Type Funds
to the Statement of Net Position
June 30, 2015

	<u>General Fund</u>	<u>Reclassifications & Eliminations</u>	<u>Statement of Net Position</u>
Current assets:			
Cash and cash equivalents	\$ 2,664,455	-	2,664,455
Restricted – cash and cash equivalents	247,010	-	247,010
Accrued interest receivable	424	-	424
Accounts receivable	62,751	-	62,751
Materials and supplies inventory	90,406	-	90,406
Prepaid expenses	-	-	-
Total current assets	<u>3,065,046</u>	<u>-</u>	<u>3,065,046</u>
Non-current assets:			
Capital assets, not being depreciated	-	2,734,807	2,734,807
Capital assets being depreciated, net	-	2,504,968	2,504,968
Total non-current assets	<u>-</u>	<u>5,239,775</u>	<u>5,239,775</u>
Total assets	<u>3,065,046</u>	<u>5,239,775</u>	<u>8,304,821</u>
Deferred outflows of resources			
Deferred pension outflows	-	143,832	143,832
Current liabilities:			
Accounts payable and accrued expenses	96,244	-	96,244
Accrued salaries and related liabilities	31,242	-	31,242
Accrued interest payable	-	64,833	64,833
Unearned revenue	-	37,264	37,264
Compensated absences	-	40,149	40,149
Certificates of participation	-	90,000	90,000
Total current liabilities	<u>127,486</u>	<u>232,246</u>	<u>359,732</u>
Non-current liabilities:			
Compensated absences	-	49,071	49,071
Certificates of participation, net	-	3,065,972	3,065,972
Net pension liability	-	189,052	189,052
Total non-current liabilities	<u>-</u>	<u>3,304,095</u>	<u>3,304,095</u>
Total liabilities	<u>127,486</u>	<u>3,536,341</u>	<u>3,663,827</u>
Deferred inflows of resources			
Deferred pension inflows	-	105,830	105,830
Fund balance: (note 9)			
Nonspendable	90,406	(90,406)	-
Restricted	182,177	(182,177)	-
Assigned	154,053	(154,053)	-
Unassigned:			
Designated for vector control operations	2,510,924	-	-
Total fund balance	<u>2,937,560</u>	<u>(426,636)</u>	<u>-</u>
Net position: (note 8)			
Net investment in capital assets		2,082,487	2,082,487
Restricted for debt service		182,177	182,177
Unrestricted		2,414,332	2,414,332
Total net position		<u>4,678,996</u>	<u>4,678,996</u>

West Valley Mosquito and Vector Control District
Reconciliation of the Balance Sheet of Governmental Type Funds
to the Statement of Net Position, continued
June 30, 2015

Reconciliation:

Fund balance of governmental fund	\$	2,937,560
Amounts reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.		
Capital assets, net		5,239,775
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.		
Accrued interest payable		(64,833)
Unearned revenue		(37,264)
Compensated absences		(89,220)
Certificates of participation, net		(3,155,972)
Net pension liability		(189,052)
Deferred inflows of resources		(105,830)
Deferred outflows of resources		143,832
Net position of governmental activities	\$	4,678,996

See accompanying notes to the basic financial statements

West Valley Mosquito and Vector Control District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of
Governmental Type Funds to the Statement of Activities
June 30, 2015

	<u>General Fund</u>	<u>Reclassifications & Eliminations</u>	<u>Statement of Activities</u>
Expenditures/Expenses:			
Mosquito and vector control:			
Salaries and benefits	\$ 1,464,642	2,691	1,467,333
Scientific, field and laboratory	58,837	-	58,837
Facilities and maintenance	291,880	-	291,880
Material and supplies	251,711	-	251,711
Professional/specialized services	82,994	-	82,994
Insurance	82,654	-	82,654
Interest expense	155,984	(1,417)	154,567
Principal payments on certificates of participation	85,000	(85,000)	-
Capital outlay	664,797	(664,797)	-
Depreciation	-	147,770	147,770
Total expenditures/expenses	<u>3,138,499</u>	<u>(600,753)</u>	<u>2,537,746</u>
Program revenues:			
Charges for services – property assessments	2,488,857	-	2,488,857
Charges for services – direct contract	10,356	-	10,356
Total program revenues	<u>2,499,213</u>	<u>-</u>	<u>2,499,213</u>
Net program expenses			<u>(38,533)</u>
General revenues:			
Interest earnings	11,803	-	11,803
Other	64,886	-	64,886
Total general revenues	<u>76,689</u>	<u>-</u>	<u>76,689</u>
Total revenues	<u>2,575,902</u>	<u>-</u>	
Change in fund balance	(562,597)	(562,597)	
Change in net position	-	(38,156)	38,156
Fund balance/Net position – beginning of period	3,500,157	-	4,640,840
Fund balance/Net position – end of period	<u>\$ 2,937,560</u>	<u>-</u>	<u>4,678,996</u>

West Valley Mosquito and Vector Control District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of
Governmental Type Funds to the Statement of Activities, continued
June 30, 2015

Reconciliation:

Net changes in fund balance of governmental fund	\$	(562,597)
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 and therefore are not reported as expenses in governmental funds as follows:		
Net change in compensated absences		(2,691)
Net change in interest payable		1,417
Principal payments on certificate of participation		85,000
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay		664,797
Depreciation expense		<u>(147,770)</u>
Change in net position of governmental activities	\$	<u><u>38,156</u></u>

See accompanying notes to the basic financial statements

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements
June 30, 2015

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The West Valley Mosquito and Vector Control 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 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 Board of Trustees.

B. Basis of Accounting and Measurement Focus

The *basic financial statements* of the District are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide Financial Statements

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the District are to be reported in three categories, if applicable: 1) charges for services, 2) operating grants and contributions, and, 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grant and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Governmental 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 GASB Statement No. 34.

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 tax, interest earnings, and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements, continued
June 30, 2015

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

B. Basis of Accounting and Measurement Focus, continued

However, exceptions to this rule include principal and interest on debt, which are recognized when due. The District reports the following major governmental fund:

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.

C. Financial Reporting

The District’s basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Standards applicable to governmental entities that use proprietary fund accounting, includes:

Government Accounting Standards Board Statement No. 68

For the fiscal year ended June 30, 2015, the District implemented Government Accounting Standards Board Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions*. The requirements of this statement are effective for the financial statement periods beginning after June 15, 2014.

GASB 68 improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision – useful information, supporting assessments of accountability and inter-period equity and creating additional transparency.

GASB 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

Government Accounting Standards Board Statement No. 71

For the fiscal year ended June 30, 2015, the District implemented Government Accounting Standards Board Statement No. 71 (GASB 71), *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The requirements of this statement are effective for the financial statement periods beginning after June 15, 2014. The provisions of this Statement are applied simultaneously with the provisions of GASB Statement No. 68.

GASB 71 improves accounting and financial reporting by addressing the issue in GASB 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation by employers and non-employer contributing entities. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability.

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements, continued
June 30, 2015

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

1. Use of Estimates

The preparation of the basic financial statements in conformity with 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.

2. Cash and Cash Equivalents

Substantially all of District's cash is invested in interest bearing cash accounts. The District considers all highly liquid investments with initial maturities of three months or less to be cash equivalents.

3. Investments and Investment Policy

The District has adopted an investment policy directing the District Manager to deposit funds in financial institutions. Investments are to be made in the following areas:

- CalTRUST Investment Trust
- Local Agency Investment Fund (LAIF)
- Vector Control Joint-Powers Agency (VCJPA)

Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

Investment in CalTRUST

The Investment Trust of California, doing business as CalTRUST, is a California joint powers District 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.

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code 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 District'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.

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements, continued
June 30, 2015

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

3. Investments and Investment Policy, continued

Vector Control Joint Powers District

Certain funds are deposited with the Vector Control Joint Powers District, which was formed to provide member districts with self insurance risk financing. Funds are held in trust and pooled with other district's fund and are primarily deposited with LAIF.

Authorized investments below are permitted by the District, but only when yields of these instruments may become exceptionally or significantly higher than those noted above and are fiscally advantageous to the District.

- Money market funds
- United States treasury securities
- Government agency issues
- California municipals
- Certain repurchase agreements
- Medium-term corporate notes
- Insured certificates of deposit

4. Property Assessments

Property assessments are collected by the County of San Bernardino Tax Collector's office for the District.

5. Materials and Supplies Inventory

Materials and supplies inventory consists primarily of pesticides and chemicals used to eradicate certain vectors. Inventory is valued at cost using a weighted average cost method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

6. Prepaid Expenses

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.

7. Capital Assets

Capital assets are recorded in the government-wide financial statements. Included in capital assets are land, building, building improvements, equipment and furniture and fixtures. District policy has set the capitalization threshold for reporting capital assets at \$3,000. Donated assets are recorded at estimated fair market 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:

- Structures and improvements – 10 to 40 years
- Machinery & equipment and vehicles – 5 to 20 years
- Computers and office equipment – 3 to 10 years

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements, continued
June 30, 2015

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

8. 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.

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.

9. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans (Plans) and addition to/deduction from the Plans' 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.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date (VD): June 30, 2013
- Measurement Date (MD): June 30, 2014
- Measurement Period (MP): July 1, 2013 to June 30, 2014

10. Net Position

The financial statements utilize a net position presentation. 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 outstanding against the acquisition, construction or improvement of those assets.
- **Restricted for Debt Service** – 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.
- **Unrestricted Net Position** – This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements, continued
June 30, 2015

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

11. 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 fund balance** – 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 fund balance** – 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 fund balance** – amounts that can only be used for specific purposes determined by formal action of the District’s highest level of decision-making District (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 fund balance** – 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. This is also the classification for residual funds in the District’s special revenue funds.
- **Unassigned fund balance** – 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 established, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or 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.

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 taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements, continued
June 30, 2015

(2) Cash and Cash Equivalents

Cash and cash equivalents as of June 30, consist of the following:

	2015
Cash and cash equivalents	\$ 2,664,455
Restricted – cash and cash equivalents	247,010
Total	\$ 2,911,465

Cash and cash equivalents as of June 30, consist of the following:

	2015
Deposits held with financial institutions	\$ 1,178,365
Deposits held with Local Agency Investment Fund (LAIF)	599,688
Deposits with CalTrust Short Term Fund	450,211
Deposits held with Vector Control Joint Powers Agency (VCJPA)	436,191
Cash and investments with fiscal agents	247,010
Total	\$ 2,911,465

As of June 30, the District's authorized deposits had the following maturities:

	2015
Deposits held with the California Local Agency Investment Fund (LAIF)	239 days
Deposits with CalTrust Short Term Fund	511 days
Deposits held with VCJPA are primarily held with LAIF	239 days

Authorized Deposits and Investments

Under provisions of the District's investment policy, and in accordance with Section 53601 of the California Government Code, the District may invest in certain types of investments as listed in Note 1.C.3 to the financial statements.

Custodial Credit Risk

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 its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the bank balance, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements, continued
June 30, 2015

(2) Cash and Cash Equivalents, continued

Custodial Credit Risk, continued

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the District's investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments. 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.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has 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.

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, CalTrust and VCJPA are not rated.

Concentration of Credit Risk

The District's investment policy contains various limitations on the amounts that can be invested in any one governmental agency or non-governmental issuer as stipulated by the California Government Code greater than 5.0% of the District's cash and investment portfolio. The District's certificate-of-deposit matured during the fiscal year.

(3) Capital Assets

Changes in capital assets for the 2015 fiscal year were as follows:

	<u>Balance 2014</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance 2015</u>
Non-depreciable assets:				
Land	\$ 330,875	-	-	330,875
Construction in process	<u>602,592</u>	<u>1,801,340</u>	-	<u>2,403,932</u>
Total non-depreciable assets	<u>933,467</u>	<u>1,801,340</u>	-	<u>2,734,807</u>
Depreciable assets:				
Structures and improvements	2,925,868	-	-	2,925,868
Equipment and vehicles	<u>666,625</u>	<u>213,928</u>	<u>(35,614)</u>	<u>844,939</u>
Total depreciable assets	3,592,493	213,928	(35,614)	3,770,807
Accumulated depreciation:	<u>(1,153,684)</u>	<u>(147,769)</u>	<u>35,614</u>	<u>(1,265,839)</u>
Total depreciable assets, net	<u>2,438,809</u>	<u>1,867,499</u>	-	<u>2,504,968</u>
Total capital assets, net	<u>\$ 3,372,276</u>			<u>5,239,775</u>

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements, continued
June 30, 2015

(4) Deferred Outflows of Resources

Changes in deferred outflows of resources for 2015, were as follows:

	<u>Balance 2014</u>	<u>Additions</u>	<u>Transfers</u>	<u>Amortization</u>	<u>Balance 2015</u>
Deferred outflows of resources:					
Pension contributions, 2014	25,011	-	(25,011)	-	-
Pension contributions, 2015	-	143,832	-	-	143,832
Total deferred outflows of resources	\$ 25,011	143,832	(25,011)	-	143,832

(5) Compensated Absences

Compensated absences comprise of unpaid vacation, and sick leave which is accrued as earned. The District's liability for compensated absences is determined annually.

<u>Balance 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2015</u>	<u>Due Within One Year</u>	<u>Due in more than one year</u>
\$ 86,529	37,371	(34,680)	89,220	40,149	49,071

(6) Long-Term Debt

Changes in long-term debt amounts for the year ended June 30, 2015 were as follows:

	<u>Balance 2014</u>	<u>Additions/ Adjustments</u>	<u>Principal Payments/ Amortization</u>	<u>Balance 2015</u>
Long-term debt:				
Certificates of Participation – Series 2005 RR	\$ 3,215,000	-	(85,000)	3,130,000
Premium on Certificates of Participation	27,288	-	(1,316)	25,972
Total long-term debt	3,242,288	-	(86,316)	3,155,972
Less current portion	(85,000)			(90,000)
Non-current portion	\$ 3,157,288			3,065,972

Certificates of Participation – 2005

On March 30, 2005, the CSDA Finance Corporation issued \$3,745,000 in Certificates of Participation (Certificates), 2005 Series RR, evidencing proportionate undivided interests in payments to be made by the District to the Corporation pursuant to an agreement dated April 1, 2005. In accordance with the agreement, the District is required to pay to the Trustee specified amounts which are designated to be sufficient, in both time and amount, to pay, when due, the principal and interest with respect to the Certificates. The proceeds of the Certificates were used for the acquisition, construction and equipping of a new administration building for the District located in Ontario, California.

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements, continued
June 30, 2015

(6) Long-Term Debt, continued

Certificates of Participation – 2005, continued

Issuance of the 2005 certificates resulted in a premium of \$39,460, which is being amortized over the life of the issue using the straight-line method. Interest rates vary from 3.0% to 5.0%, and interest is payable on February 1st and August 1st of each year. Annual debt service requirements for the certificates are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 90,000	153,800	243,800
2017-2021	500,000	700,000	1,200,000
2021-2026	650,000	557,250	1,207,250
2027-2031	835,000	372,375	1,207,375
2032-2036	1,055,000	137,375	1,192,375
	<u>\$ 3,130,000</u>	<u>1,920,800</u>	<u>5,050,800</u>

(7) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's separate Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan is established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website or may be obtained from their executive office: 400 P Street, Sacramento, CA, 95814.

Benefits provided

CalPERS provides service 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. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.5% at 55 Risk Pool Retirement Plan to new employee entrants effective December 31, 2013. All employees hired after January 1, 2013 are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements, continued
June 30, 2015

(7) Defined Benefit Pension Plan, continued

Benefits provided, continued

The Plans' provision and benefits in effect at June 30, 2015 are summarized as follows:

	Miscellaneous Plan	
	Tier 1	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
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8.00%	6.25%
Required employer contribution rates	15.135%	6.25%

As of June 30, 2015, an actuarial report was not prepared by CalPERS for the District's PEPRA tier. CalPERS made this determination as a result of the District not having PEPRA eligible employees between the period January 1, 2013 and June 30, 2013, the valuation date of the actuarial report provided.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates, for all public employers, be determined on an annual basis by the actuary and shall be effective on July 1 following notice of the change in rate. Funding contributions for the Plan is 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 rate of employees.

As of the fiscal year ended June 30, 2015, the contributions recognized as part of pension expense for the Plan was as follows:

	Miscellaneous Plan	
Contributions – employer	\$	143,832
Contributions – employee (paid by employer)		78,139
Total employer paid contributions	\$	<u>221,971</u>

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements, continued
June 30, 2015

(7) Defined Benefit Pension Plan, continued

Contributions, continued

As of the fiscal year ended June 30, 2015, the contributions recognized as part of pension expense for the Plan was as follows:

	Proportionate Share of Pension Liability
Miscellaneous Plan	\$ 189,052

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2014, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2014, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the pension liability for the Plan as of the actuarial valuation date of June 30, 2013 for the measurement date June 30, 2014, that was recognized as of June 30, 2015, was as follows:

	Miscellaneous
Proportion – June 30, 2013 (Valuation Date)	0.00304%
Proportion – June 30, 2014 (Measurement Date)	0.00304%
Change – Increase (Decrease)	0%

As a result of the implementation of the GASB 68 pronouncement at June 30, 2015, the District recognized pension expense of \$61,580 at June 30, 2015.

As of the fiscal year ended June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 143,832	-
Net differences between projected and actual earnings on plan investments	-	(63,530)
Adjustment due to differences in proportions	-	(42,300)
Total	\$ 143,832	(105,830)

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements, continued
June 30, 2015

(7) Defined Benefit Pension Plan, continued

Contributions, continued

As of June 30 2015, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$143,832 will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016.

As of the fiscal year ended June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources for June 30, 2014 related to pensions as part of its adjustment to the beginning net position as of July 1, 2014 (Note 10) from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions between the valuation and measurement date	\$ 25,011	-

Employer pension contributions reported as deferred outflows of resources related to contributions between the valuation date and measurement date of \$25,011 were recognized as an adjustment to the beginning net position as of July 1, 2014.

As a result of the implementation of the GASB 68 at June 30, 2015, the District recognized other amounts reported by the Plan actuarial as deferred outflows of resources and deferred inflows of resources related to the pension liability. Pension related amounts will be recognized as pension expense as follows.

<u>Fiscal Year Ending June 30:</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2016	\$ (30,989)
2017	(30,989)
2018	(27,968)
2019	(15,884)
2020	-
Thereafter	-

The total pension liability in the June 30, 2013 actuarial valuation report was determined using the following actuarial assumptions:

Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumptions:	
Discount rate	7.50%
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Investment Rate of Return	7.50 % Net of Pension Plan Investment and Administrative Expenses; includes inflation
Mortality Rate Table*	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

* The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report. Further details of the Experience Study can be found on the CalPERS website.

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements, continued
June 30, 2015

(7) Defined Benefit Pension Plan, continued

Discount Rate

The Discount rate used to measure the total pension liability was 7.50% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the 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 7.50% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50% will be applied to all plans in the Public Employees' Retirement Fund (PERF). The stress test results are presented in a detailed report which can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS confirmed the materiality threshold for the difference in the calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the Discount rate will require CalPERS Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the fiscal year ended 2017-2018. CalPERS will continue to check the materiality of the difference in the calculation until such time as it has changed its methodology.

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

In determining the long-term expected rate of return, 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 the funds' asset classes, expected compound returns were calculates over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent 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.

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements, continued
June 30, 2015

(7) Defined Benefit Pension Plan, continued

Discount Rate, continued

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10*</u>	<u>Real Return Year 11+**</u>
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0	0.99	2.43
Inflation Sensitive	6.0	0.45	3.36
Private Equity	12.0	6.83	6.95
Real Estate	11.0	4.50	5.13
Infrastructure and Forestland	3.0	4.50	5.09
Liquidity	2.0	(0.55)	(1.05)
Total	<u>100.0%</u>		

* An expected inflation of 2.5% used for this period

** An expected inflation of 3.0% used for this period

Sensitivity of the Proportionate Share of Net Pension Liability to Changes in the Discount Rate

The following table presents the District's proportionate share of the net position liability for the Plan, calculated using the discount rate, as well as what the District's proportional share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>Discount Rate - 1% (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>Discount Rate + 1% (8.50%)</u>
Plan's Net Pension Liability/(Asset) \$	<u>336,832</u>	<u>189,052</u>	<u>66,408</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 36 through 37 for the Required Supplementary Schedules.

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements, continued
June 30, 2015

(8) Net Position

Net position is calculated as follows:

Net investment in capital assets consists of the following:

	2015
Capital assets, not being depreciated	\$ 2,734,807
Capital assets being depreciated, net	2,504,968
Certificates of Participation – Series 2005 RR – current	(90,000)
Certificates of Participation – Series 2005 RR – non-current	(3,040,000)
Premium on Certificates of Participation	(27,288)
Net investment in capital assets	\$ 2,082,487

Restricted for debt service consists of the following:

	2015
Restricted – cash and cash equivalents	\$ 247,010
Accrued interest payable	(64,833)
Restricted for debt service	\$ 182,177

Unrestricted net position are comprised of the following:

	2015
Non-spendable net position:	
Materials and supplies inventory	\$ 90,406
Total non-spendable net position	90,406
Spendable net position:	
Unrestricted	2,323,926
Total spendable net position	2,323,926
Total unrestricted net position	\$ 2,414,332

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements, continued
June 30, 2015

(9) Fund Balance

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned (See Note 1.D.11 for a description of these categories). A detailed schedule of fund balances and their funding composition at June 30, 2015 is as follows:

Description	Amount
Nonspendable:	
Materials and supplies inventory	\$ 90,406
Sub-total nonspendable	90,406
Restricted:	
Restricted for debt service	182,177
Sub-total restricted	182,177
Assigned:	
Compensated absences	89,220
Accrued interest payable	64,833
Sub-total assigned	154,053
Unassigned:	
Designated for mosquito and vector control	2,510,924
Total fund balance	\$ 2,937,560

(10) Prior Period Adjustment

In fiscal year 2015, the District implemented GASB pronouncements 68 and 71 to recognize its proportionate share of the net pension liability.

As a result of the implementation, the District recognized the pension liability and recorded a net prior period adjustment of \$233,302 to decrease the governmental activities' beginning net position. The adjustment was made to reflect the prior period costs related to the implementation of GASB 68 and 71.

The restatement of beginning net position is summarized as follows:

The adjustment to net position is as follows:

Net position at July 1, 2014, as previously stated	\$ 4,874,142
Effect of adjustment to record net pension liability	(258,313)
Effect of adjustment to record deferred pension outflows	25,011
Total change in net position at July 1, 2014, as restated	(233,302)
Net position at July 1, 2014, as restated	\$ 4,640,840

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements, continued
June 30, 2015

(11) Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (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. Market value of all plan assets held in trust at June 30, 2015 was \$1,061,093.

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.

(12) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District, as a member of the Vector Control Joint Powers District (VCJPA) has purchased various insurance policies to manage the potential liabilities that may occur from the previously named sources. The VCJPA is a consortium of 33 mosquito abatement and/or vector control districts in the State of California. VCJPA's purpose is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. The day-to-day business is handled by a risk management group employed by the VCJPA. At June 30, 2015, the District participated in the liability and property programs of the VCJPA as follows:

- General and auto liability, public officials and employees' errors and omissions.
- Workers' compensation
- Property damage
- Auto physical damage
- Business travel
- Group fidelity

The District is covered for the first \$1,000,000 of each general liability claim and \$500,000 of each workers' compensation claim through the VCJPA. The District may receive dividends and has the obligation to pay assessments, if declared by the Board, based on a formula which, among other expenses, charges the District's account for liability losses and workers' compensation losses which fall within the District's self insured retentions (SIR) for each of the program years the District has participated as a member, when those program years are adjusted. The liability SIR for the 2015 program year is \$10,000, and the workers' compensation SIR for the 2015 program year is \$25,000.

The VCJPA participates in an excess pool which provides general liability coverage from \$1,000,001 to \$29,000,000 and in an excess pool which provides employers liability and workers' compensation coverage from \$500,001 to \$5,000,000 and also provides workers' compensation coverage above \$5,000,000 up to the statutory limit, through a combination of reinsurance and insurance. Financial statement information for the VCJPA can be obtained at 1750 Creekside Oaks Drive, Suite 200 Street, Sacramento, CA 95833 or (916) 244-1100.

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements, continued
June 30, 2015

(12) Risk Management, continued

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2015 and 2014. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payables as of June 30, 2015.

(13) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2015, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 72

In February 2015, the GASB issued Statement No. 72 – *Fair Value Measurement and Application*. The objective of this Statement is to enhance comparability of financial statements among governments by measurement of certain assets and liabilities at their fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 73

In June 2015, the GASB issued Statement No. 73 – *Accounting and Financial Reporting for Pensions*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the Scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans as pensions that are within their respective scopes.

The requirements of this statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after December 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement No. 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements, continued
June 30, 2015

(13) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 74

In June 2015, the GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness or information about postemployment benefits other than pensions (other postemployment benefits of OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No.50, *Pension Disclosures*.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2016. The impact of the implementation of this Statement to the District’s financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 75

In June 2015, the GASB issued Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2017. The impact of the implementation of this Statement to the District’s financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 76

In June 2015, the GASB issued Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within the source of authoritative GAAP.

This Statement replaces the requirements of Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015, and should be applied retroactively.

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements, continued
June 30, 2015

(13) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 77

In August 2015, the GASB issued Statement No. 77 – *Tax Abatement Disclosures*. The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Financial statement users need information about certain limitations on a government’s ability to raise resources. This includes limitations on revenue-raising capacity resulting from governmental programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. This Statement is effective for financial statements for periods beginning after December 15, 2015. It is believed that the implementation of this Statement will not have a material effect to the District’s financial statements.

(14) Commitments and Contingencies

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Litigation

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

(15) Subsequent Events

Events occurring after June 30, 2015 have been evaluated for possible adjustment to the financial statements or disclosure as of October 15, 2015, which is the date the financial statements were available to be issued. The District is not aware of any further subsequent events that would require recognition or disclosure in the financial statements.

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Required Supplementary Information

West Valley Mosquito and Vector Control District
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2015

	<u>Adopted Original Budget</u>	<u>Board Approved Changes</u>	<u>Revised Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Expenditures/Expenses:					
Mosquito and vector control:					
Salaries and benefits	\$ 1,603,184	-	1,603,184	1,464,642	138,542
Scientific, field and laboratory	70,000	-	70,000	58,837	11,163
Facilities and maintenance	35,000	-	35,000	291,880	(256,880)
Materials and supplies	292,314	-	292,314	251,711	40,603
Professional/specialized services	93,750	-	93,750	82,994	10,756
Insurance	81,517	-	81,517	82,654	(1,137)
Interest expense	157,000	-	157,000	155,984	1,016
Principal payments on certificates of participation	85,000	-	85,000	85,000	-
Capital outlay	478,700	-	478,700	664,797	(186,097)
Total expenditures/expenses	<u>2,896,465</u>	<u>-</u>	<u>2,896,465</u>	<u>3,138,499</u>	<u>(242,034)</u>
Program revenues:					
Charges for services – property assessments	2,461,865	-	2,461,865	2,488,857	26,992
Charges for services – direct contract	12,600	-	12,600	10,356	(2,244)
Total program revenues	<u>2,474,465</u>	<u>-</u>	<u>2,474,465</u>	<u>2,499,213</u>	<u>24,748</u>
General revenues:					
Interest earnings	12,000	-	12,000	11,803	(197)
Other	10,000	-	10,000	64,886	54,886
Total general revenues	<u>22,000</u>	<u>-</u>	<u>22,000</u>	<u>76,689</u>	<u>54,689</u>
Total revenues	<u>2,496,465</u>	<u>-</u>	<u>2,496,465</u>	<u>2,575,902</u>	<u>79,437</u>
Change in fund balance	<u>(400,000)</u>	<u>-</u>	<u>(400,000)</u>	<u>(562,597)</u>	<u>(162,597)</u>
Fund balance – beginning of period	<u>3,500,157</u>		<u>3,500,157</u>	<u>3,500,157</u>	
Fund balance – end of period	<u>\$ 3,100,157</u>		<u>3,100,157</u>	<u>2,937,560</u>	

Notes to Required Supplementary Information

(1) Budgets and Budgetary Data

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year the District's District Manager and Finance Director prepare and submit an operating budget to the Board of Trustees for the General Fund 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. The District's annual budget is presented as a balanced budget (inflows and reserves equal outflows and reserves) adopted for the General Fund at the detailed expenditure-type level.

The District presents a comparison of the annual budget to actual results for the General Fund at the functional expenditure-type major object level for financial reporting purposes. The budgeted expenditure amounts represent the adopted budget plus supplemental budget adoptions due to the capital and operating grants that were awarded after the initial budget was adopted.

West Valley Mosquito and Vector Control District
Schedule of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2015
Last Ten Years*

		<u>6/30/2014 (a)</u>
Plan's Proportion of the Net Pension Liability/(Asset)		0.00304%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$	<u>189,052</u>
Plan's Covered-Employee Payroll (b)	\$	<u>820,280</u>
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll		<u>23.05%</u>
Plan's Proportionate Share of its Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability		<u>83.03%</u>
Plan's Proportionate Share of Aggregate Employer Contributions (c), (d)	\$	<u>25,011</u>

Notes:

- (a) Historical information is required only for measurement periods for which GASB 68 is applicable.
 - (b) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll related ratios.
 - (c) The Plan's proportionate share of aggregate contributions may not match the actual contributions made by the employer during the measurement period. The Plan's proportionate share of aggregate contributions on the Plan's proportion of fiduciary net position shown on line 5 of the table above as well as any additional side is based fund (or unfunded liability) contributions made by the employer during the measurement period.
 - (d) This data is not required to be displayed by GASB 68 for employer's participating in cost-sharing plans, but is being shown here because it is used in the calculation of the Plan's pension expense.
- * Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

West Valley Mosquito and Vector Control District
Schedule of Pension Plan Contributions
As of June 30, 2015
Last Ten Years*

Schedule of Pension Plan Contributions (a):	Fiscal Year
	2013-2014
Actuarially Determined Contribution (b)	\$ 120,180
Contributions in Relation to the Actuarially Determined Contribution (b)	(120,180)
Contribution Deficiency (Excess)	\$ -
Covered Payroll (c), (d)	\$ 820,280
Contribution's as a percentage of Covered-employee Payroll (c)	14.65%

Notes:

- (a) Historical information is required only for measurement periods for which GASB 68 is applicable.
 - (b) Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employer's may choose to make additional contributions towards their side fund or unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" do not conform to the circumstances described in paragraph 120 of GASB 68, therefore are not considered separately financed specific liabilities.
 - (c) Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB 68 defines covered-employee payroll as the total payroll of employees that are provided pensions through the pension plan. Accordingly, if pensionable earnings are different than total earnings for covered-employees, the employer should display in the disclosure footnotes the payroll based on total earnings for the covered group and recalculate the required payroll-related ratios.
 - (d) Payroll from prior year (\$796,388) was assumed to increase by the 3.00 percent payroll growth assumption.
- * Fiscal Year 2015 was the first year of implementation, therefore only one year is shown.

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Report on Internal Controls and Compliance



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**Independent Auditor's 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***

Board of Trustees
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 West Valley Mosquito and Vector Control (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated October 15, 2015.

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*.

**Independent Auditor's 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***

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.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
October 15, 2015