

**West Valley
Mosquito and Vector Control District**

Ontario, California

Annual Financial Report

For the Year Ended June 30, 2017



**West Valley Mosquito and Vector Control District
Annual Financial Report
For the Year Ended June 30, 2017**

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the general fund of the West Valley Mosquito and Vector Control District (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 10 and the Budgetary Comparison Schedule – General Fund, Schedule of the District's Proportionate Share of the Plan's Net Pension Liability and the Schedule of the District's Contributions to the Pension Plan on pages 43 through 45, respectively, are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Santa Ana, California
November 30, 2017



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

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the West Valley Mosquito and Vector Control District (District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.

Santa Ana, California
November 30, 2017

West Valley Mosquito and Vector Control District Management’s Discussion and Analysis (Unaudited) For the Year Ended June 30, 2017

The following Management’s Discussion and Analysis (MD&A) of activities and financial performance of the West Valley Mosquito and Vector Control District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- The District’s net position increased 4.04%, or \$200,621 from the prior year’s net position of \$4,967,135 to \$5,167,756, as a result of this year’s operations.
- Total revenues from all sources increased by 9.07%, or \$263,995 from \$2,911,430 to \$3,175,425, from the prior year, primarily due to an increase of \$209,419 in property assessments (of which \$71,767 was the prorate share of the City of Upland service area annexation) and \$93,093 in contract services.
- Total expenses for the District’s operations increased by 10.45% or \$281,388 from \$2,693,416 to \$2,974,804, from the prior year, primarily due to a \$345,801 increase in operations expense primarily due to a \$270,075 increase in salaries and benefits and \$220,030 in materials and services.

Using This Financial Report

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

Government-wide Financial Statements

Statement of Net Position and Statement of Activities

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

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

**West Valley Mosquito and Vector Control District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2017**

Governmental Funds Financial Statements

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

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

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

Notes to the Basic Financial Statements

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$5,167,756 as of June 30, 2017.

Condensed Statement of Net Position

	June 30, 2017	June 30, 2016	Change
Assets:			
Current assets	\$ 3,165,376	\$ 3,067,892	\$ 97,484
Capital assets, net	4,765,088	5,006,941	(241,853)
Total assets	7,930,464	8,074,833	(144,369)
Deferred outflows of resources	538,141	448,851	89,290
Liabilities:			
Current liabilities	326,879	402,737	(75,858)
Non-current liabilities	2,874,749	2,995,653	(120,904)
Total liabilities	3,201,628	3,398,390	(196,762)
Deferred inflows of resources	99,221	158,159	(58,938)
Net position:			
Net investment in capital assets	2,047,743	2,123,177	(75,434)
Unrestricted	3,120,013	2,843,958	276,055
Total net position	\$ 5,167,756	\$ 4,967,135	\$ 200,621

At the end of fiscal year 2017, the District shows a positive balance in its unrestricted net position of \$3,120,013 that may be utilized in future years.

**West Valley Mosquito and Vector Control District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2017**

Government-wide Financial Analysis (Continued)

Condensed Statements of Activities

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Change</u>
Program revenues	\$ 3,128,595	\$ 2,826,083	\$ 302,512
Expenses	<u>(2,974,804)</u>	<u>(2,693,416)</u>	<u>(281,388)</u>
Net program expense	153,791	132,667	21,124
General revenues	<u>46,830</u>	<u>85,347</u>	<u>(38,517)</u>
Change in net position	200,621	218,014	(17,393)
Net position – beginning of period	4,967,135	4,678,996	288,139
Prior period adjustment	<u>-</u>	<u>70,125</u>	<u>(70,125)</u>
Net position – end of period	<u>\$ 5,167,756</u>	<u>\$ 4,967,135</u>	<u>\$ 200,621</u>

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, net position increased by \$200,621, during the fiscal year ended June 30, 2017.

Total Revenues:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Increase (Decrease)</u>
Program revenues:			
Property assessments	\$ 2,799,745	\$ 2,590,326	\$ 209,419
Contract services	<u>328,850</u>	<u>235,757</u>	<u>93,093</u>
Total program revenues	<u>3,128,595</u>	<u>2,826,083</u>	<u>302,512</u>
General revenues:			
Investment earnings	8,423	20,762	(12,339)
Other revenues	<u>38,407</u>	<u>64,585</u>	<u>(26,178)</u>
Total general revenues	<u>46,830</u>	<u>85,347</u>	<u>(38,517)</u>
Total revenues	<u>\$ 3,175,425</u>	<u>\$ 2,911,430</u>	<u>\$ 263,995</u>

Total revenues from all sources increased by 9.07%, or \$263,995 from \$2,911,430 to \$3,175,425, from the prior year, primarily due to an increase of \$209,419 in property assessments (of which \$71,767 was the prorate share of the City of Upland service area annexation) and \$93,093 in contract services.

**West Valley Mosquito and Vector Control District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2017**

Total Expenses:

	June 30, 2017	June 30, 2016	Increase (Decrease)
Expenses:			
Operations	\$ 2,649,717	\$ 2,303,916	\$ 345,801
Depreciation expense	247,247	246,457	790
Amortization	-	(25,972)	25,972
Cost of issuance	-	59,123	(59,123)
Interest expense	77,840	109,892	(32,052)
Total expenses	\$ 2,974,804	\$ 2,693,416	\$ 281,388

Total expenses for the District's operations increased by 10.45% or \$281,388 from \$2,693,416 to \$2,974,804, from the prior year, primarily due to a \$345,801 increase in operations expense primarily due to a \$270,075 increase in salaries and benefits and \$220,030 in materials and services.

Governmental Funds Financial Analysis

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

As of June 30, 2017, the District reported a total fund balance of \$3,058,021. An amount of \$2,574,794 constitutes the District's *unassigned fund balance*, which is available for future expenditures.

General Fund Budgetary Highlights

The final expenditures for the District at year-end were \$161,984 less than budgeted. The variance is principally due to salaries and benefits and capital outlay being lower than budget. Actual revenues were less than budgeted by \$12,169.

**West Valley Mosquito and Vector Control District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2017**

Capital Asset Administration

Changes in capital assets for the year were as follows:

	Balance June 30, 2017	Balance June 30, 2016
Capital assets:		
Non-depreciable assets	\$ 330,875	\$ 330,875
Depreciable assets	6,129,528	6,175,628
Accumulated depreciation	(1,695,315)	(1,499,562)
Total capital assets, net	\$ 4,765,088	\$ 5,006,941

At the end of fiscal year 2017, the District's investment in capital assets amounted to \$4,765,088 (net of accumulated depreciation). This investment in capital assets includes structures and improvements, equipment and vehicles. Major capital asset additions during the year include various equipment purchases of \$5,394.

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

Long-term Debt Administration

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

	Balance June 30, 2017	Balance June 30, 2016
Long-term debt:		
Loan payable	\$ 2,717,345	\$ 2,883,764

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

**West Valley Mosquito and Vector Control District
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2017**

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

West Nile Virus Outbreak

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

Zika

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

Contract Services

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

Contacting the District's Financial Management Team

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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West Valley Mosquito and Vector Control District
Statement of Net Position
June 30, 2017

	Governmental Activities
<u>ASSETS</u>	
Current assets:	
Cash and investments (Note 2)	\$ 2,532,845
Accrued interest receivable	674
Property assessments receivable	35,591
Accounts receivable – other	189,030
Materials and supplies inventory	75,377
Deposits with Vector Control Joint Powers Agency (VCJPA) (Note 10)	331,859
Total current assets	3,165,376
Non-current assets:	
Capital assets – not being depreciated (Note 3)	330,875
Capital assets – being depreciated, net (Note 3)	4,434,213
Total non-current assets	4,765,088
Total assets	7,930,464
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred amounts related pensions (Note 6)	538,141
Total deferred outflows of resources	538,141
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable and accrued expenses	53,811
Accrued salaries and benefits	53,544
Accrued interest payable	32,268
Long-term liabilities – due in one year:	
Compensated absences (Note 4)	26,597
Loan payable (Note 5)	160,659
Total current liabilities	326,879
Non-current liabilities:	
Long-term liabilities – due in more than one year:	
Compensated absences (Note 4)	49,394
Loan payable (Note 5)	2,556,686
Net pension liability (Note 6)	268,669
Total non-current liabilities	2,874,749
Total liabilities	3,201,628
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred amounts related to pensions (Note 6)	99,221
Total deferred inflows of resources	99,221
<u>NET POSITION</u>	
Net investment in capital assets (Note 7)	2,047,743
Unrestricted	3,120,013
Total net position	\$ 5,167,756

West Valley Mosquito and Vector Control District
Statement of Activities
For the Year Ended June 30, 2017

	Governmental Activities
Expenses:	
Mosquito and vector control:	
Operations	\$ 2,649,717
Depreciation expense	247,247
Interest expense	77,840
Total expenses	2,974,804
Program revenues:	
Charges for services:	
Property assessments	2,799,745
Contract services	328,850
Total program revenues	3,128,595
Net program expense	153,791
General revenues:	
Investment earnings	8,423
Other revenues	38,407
Total general revenues	46,830
Change in net position	200,621
Net position:	
Beginning of year	4,967,135
End of year	\$ 5,167,756

FUND FINANCIAL STATEMENTS

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West Valley Mosquito and Vector Control District
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund
<u>ASSETS</u>	
Assets:	
Cash and investments	\$ 2,532,845
Accrued interest receivable	674
Property assessments receivable	35,591
Accounts receivable – other	189,030
Materials and supplies inventory	75,377
Deposits with Vector Control Joint Powers Agency (VCJPA)	331,859
Total assets	\$ 3,165,376
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Accounts payable and accrued expenses	\$ 53,811
Accrued salaries and benefits	53,544
Total liabilities	107,355
Fund balance: (Note 8)	
Nonspendable	407,236
Assigned	75,991
Unassigned	2,574,794
Total fund balance	3,058,021
Total liabilities and fund balance	\$ 3,165,376

West Valley Mosquito and Vector Control District
Reconciliation of the Balance Sheet of Governmental Funds to the
Government-Wide Statement of Net Position
June 30, 2017

Fund Balance – Governmental Funds	<u>\$ 3,058,021</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets.	4,765,088
Deferred outflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred outflows of resources.	538,141
Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities' both current and long-term, are reported in the statement of net position as follows:	
Accrued interest payable	(32,268)
Compensated absences	(75,991)
Loan payable	(2,717,345)
Net pension liability	(268,669)
Deferred inflows of resources used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those deferred inflows of resources.	<u>(99,221)</u>
Total adjustments	<u>2,109,735</u>
Net Position – Governmental Activities	<u><u>\$ 5,167,756</u></u>

West Valley Mosquito and Vector Control District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2017

	General Fund
Revenues:	
Charges for services:	
Property assessments	\$ 2,799,745
Contract services	321,906
Investment earnings	8,423
Other revenues	38,407
Total revenues	3,168,481
Expenditures:	
Current:	
Salaries and benefits	1,860,468
Materials and services	897,690
Contract service costs	8,878
Capital outlay	5,394
Debt service:	
Principal	166,419
Interest	79,817
Total expenditures	3,018,666
Net change in fund balance	149,815
Fund balance:	
Beginning of year	2,908,206
End of year	\$ 3,058,021

West Valley Mosquito and Vector Control District
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Net Change in Fund Balance – Governmental Funds	<u>\$ 149,815</u>
Amounts reported for governmental activities in the statement of activities is different because:	
Some expenses reported in the statement of activities do not require the use of current financial resources. Therefore, those expenses are not reported as expenditures in governmental funds as follows:	
Net change in compensated absences	25,274
Net change in net pension liability and related deferred resources	92,045
Net change in accrued interest	1,977
Net change in unearned revenue	6,944
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those capitalized assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	5,394
Depreciation expense	(247,247)
Principal repayment of long-term debt is reported as an expenditure in governmental funds. However, principal repayments reduce liabilities in the statement of net position and do not result in expenses in the statement of activities.	
	<u>166,419</u>
Total adjustments	<u>50,806</u>
Change in Net Position – Governmental Activities	<u><u>\$ 200,621</u></u>

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements
For the Year Ended June 30, 2017

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

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

Basis of Accounting and Measurement Focus

Government-Wide Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

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

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

Basis of Accounting and Measurement Focus (Continued)

The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

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

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

The government-wide financial statements are reported using the “*economic resources*” measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the “*current financial resources*” measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal year and other revenues when collected within one year of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The District reports the following major fund:

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

Use of Estimates

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

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

Fair Value Measurements

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

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

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

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

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

Materials and Supplies Inventory

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

Prepaid Items

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

Capital Assets

Capital assets are recorded in the government-wide financial statements. Included in capital assets is equipment used at the District. District policy has set the capitalization threshold for reporting capital assets at \$3,000. Donated assets are recorded at estimated 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:

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

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

Compensated Absences

Accrued Vacation – Upon completion of 1 through 4 years of employment, 80 vacation hours are earned, from year 5 through year 10, 120 vacation hours are earned, after 10 years, 160 vacation hours are earned per year.

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

Pension Plan

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

Property Assessments

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

Net Position

Net position is categorized as follows:

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

Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The District has no restricted net position as of June 30, 2017.

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

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

Fund Balance

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

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

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

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

Assigned – amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.

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

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

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

Fund Balance Policy

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

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

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

New Accounting Pronouncements

During the year ended June 30, 2017, the District implemented the following new GASB pronouncements:

Statement No. 73, ***Accounting and Financial Reporting for Pension and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68***. This Statement establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria (those not covered by GASB Statements 67 and 68). The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer 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.

Statement No. 74, ***Financial Reporting for Postemployment Benefit Plans Other than Pension Plans***. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

Statement No. 77, ***Tax Abatement Disclosures***. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. Governments should organize those disclosures by major tax abatement programs and may disclose information for individual tax abatement agreements within those programs. This Statement is effective for financial statements for fiscal years beginning after December 15, 2015.

Statement No. 78, ***Pension Provided Through Certain Multiple-Employer Defined Benefit Pension Plans***. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, ***Accounting and Financial Reporting for Pensions***. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement is effective for financial statements for fiscal years beginning after December 15, 2015.

Statement No. 79, ***Certain External Investment Pools and Pool Participants***. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. The specific requirements of this Statement that are effective for certain provisions on portfolio quality, custodial credit risk, and shadow pricing are effective for reporting periods beginning after December 15, 2015.

Statement No. 80, ***Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14***. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, ***The Financial Reporting Entity, as amended***. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

Statement No. 82, ***Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73***. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Cash and Investments

Cash and investments as of June 30, 2017 consisted of the following:

Description	Balance
Cash on hand	\$ 203
Demand deposits with financial institutions	1,973,973
Investments	558,669
Total cash and investments	\$ 2,532,845

Demand Deposits

At June 30, 2017 the carrying amount of the District's demand deposits was \$1,973,973 and the financial institution balance was \$1,984,014. The \$10,041 net difference as of June 30, 2017 represents outstanding checks, deposits-in-transit and/or other reconciling items.

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

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

Investments

Investments as of June 30, 2017 consisted of the following:

Investments	Fair Value June 30, 2017	Maturity 12 Months or Less
External Investment Pools:		
California Local Agency Investment Fund (LAIF)	\$ 101,265	\$ 101,265
CalTRUST – Short Term Fund	356,955	356,955
CalTRUST – Medium Term Fund	100,449	100,449
Total investments	\$ 558,669	\$ 558,669

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Cash and Investments (Continued)

Authorized Investments and Investment Policy

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

Investments are to be made in the following areas:

External Investment Pools:

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

Investment in California – Local Agency Investment Fund (LAIF)

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

LAIF has indicated to the District that as of June 30, 2017 the value of LAIF's portfolio approximated \$20.678 billion and the portfolio holds no derivative products. The District had \$101,265 invested in LAIF as of June 30, 2017. The LAIF fair value factor of 0.998940671 was used to calculate the fair value of the investments in LAIF as of June 30, 2017.

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

Investment Trust of California – CalTRUST

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

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

Custodial Credit Risk

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

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 2 – Cash and Investments (Continued)

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

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 3 – Capital Assets

Changes in capital assets for the year were as follows:

	<u>Balance July 1, 2016</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2017</u>
Non-depreciable capital assets:				
Land	\$ 330,875	\$ -	\$ -	\$ 330,875
Construction-in-process	-	-	-	-
Total non-depreciable capital assets	<u>330,875</u>	<u>-</u>	<u>-</u>	<u>330,875</u>
Depreciable capital assets:				
Structures and improvements	5,326,275	-	-	5,326,275
Equipment and vehicles	849,353	5,394	(51,494)	803,253
Total depreciable capital assets	<u>6,175,628</u>	<u>5,394</u>	<u>(51,494)</u>	<u>6,129,528</u>
Accumulated depreciation:				
Structures and improvements	(887,892)	(156,218)	-	(1,044,110)
Equipment and vehicles	(611,670)	(91,029)	51,494	(651,205)
Total accumulated depreciation	<u>(1,499,562)</u>	<u>(247,247)</u>	<u>51,494</u>	<u>(1,695,315)</u>
Total depreciable capital assets, net	<u>4,676,066</u>	<u>(241,853)</u>	<u>-</u>	<u>4,434,213</u>
Total capital assets, net	<u>\$ 5,006,941</u>	<u>\$ (241,853)</u>	<u>\$ -</u>	<u>\$ 4,765,088</u>

Note 4 – Compensated Absences

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

The changes to the compensated absences balance at June 30, 2017 were as follows:

<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$ 101,265	\$ 56,879	\$ (82,153)	\$ 75,991	\$ 26,597	\$ 49,394

Note 5 – Long-term Debt

Changes in long-term debt amounts for the year ended June 30, 2017 were as follows:

<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2017</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$ 2,883,764	\$ -	\$ (166,419)	\$ 2,717,345	\$ 160,659	\$ 2,556,686

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 5 – Long-term Debt (Continued)

Loan Payable

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 160,659	\$ 75,155	\$ 235,814
2019	165,238	70,511	235,749
2020	169,947	65,734	235,681
2021	174,791	60,822	235,613
2022	179,772	55,769	235,541
2023-2027	978,699	197,873	1,176,572
2028-2031	888,239	51,619	939,858
Total	2,717,345	<u>\$ 577,483</u>	<u>\$ 3,294,828</u>
Current	<u>(160,659)</u>		
Long-term	<u>\$ 2,556,686</u>		

Note 6 – Net Pension Liability and Defined Benefit Pension Plan

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

Benefits Provided – CalPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees, and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Classic members with five years of total service are eligible to retire at age 60 with statutorily reduced benefits. Public Employees’ Pension Reform Act (PEPRA) Miscellaneous members become eligible for service retirement upon attainment of age 672 with at least 5 years of service.

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

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

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous Plans	
	Classic Tier 1	PEPRA Tier 2
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.5% @ 55	2.0 @ 62
Benefit vesting schedule	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required member contribution rates	8.000%	6.250%
Required employer contribution rates	9.498%	6.555%

Contributions – Section 20814(c) of the California Public Employees' Retirement law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rates of employees. Contributions to the pension plan from the District were \$112,698 for the year ended June 30, 2017.

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

As of June 30, 2017, the District reported a liability of \$268,669 for its proportionate share of the collective net pension liability.

The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using actuarial procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportion of the net collective pension liability as of June 30, 2017 and 2016 was as follows:

	Fiscal Year Ending June 30, 2017	Fiscal Year Ending June 30, 2016
Measurement Date	June 30, 2016	June 30, 2015
Beginning of measurement period	0.00310%	0.00304%
Ending of measurement period	0.00311%	0.00310%
Change - Increase	0.00001%	0.00006%

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

For the year ended June 30, 2017, the District recognized a pension expense of \$20,653. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made after the measurement date	\$ 112,698	\$ -
Difference between actual and proportionate share of employer contributions	107,821	-
Adjustment due to differences in proportions	138,329	65,304
Differences between expected and actual experience	2,764	-
Differences between projected and actual earnings on pension plan investments	176,529	-
Changes in assumptions	-	33,917
Total Deferred Outflows/(Inflows) of Resources	\$ 538,141	\$ 99,221

\$112,698 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Amortization Period Fiscal Year Ended June 30</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2018	\$ 115,491
2019	89,899
2020	75,109
2021	45,723
Total	\$ 326,222

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

Actuarial Assumptions – The total pension liabilities in the June 30, 2015 actuarial valuations were determined using the following actuarial assumptions.

Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.65%
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2014 actuarial experience study for the period of 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the District's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

In determining the long-term expected 7.65 percent rate of return on pension plan investments, CalPERS took into account both short and long-term market return expectations as well as the expected pension fund cash flows. Based on the expected benefit payments of the Public Employees' Retirement Fund, CalPERS indicated that a 19 year horizon was ideal in determining the level equivalent discount rate assumption. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long term, the present value of benefits was calculated for each fund. The expected rate for return was set by calculating the single equivalent expected return of return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are the same for each Plan.

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

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

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

<u>Investment Type</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10¹</u>	<u>Real Return Years 11+²</u>
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	20.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%
	<u>100.00%</u>		

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.65 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

<u>Plan Type</u>	<u>Plan's Net Pension Liability/(Asset)</u>		
	<u>Discount Rate - 1%</u>	<u>Current Discount</u>	<u>Discount Rate + 1%</u>
	<u>6.65%</u>	<u>Rate 7.650%</u>	<u>8.65%</u>
CalPERS – Miscellaneous Plan	\$ 484,406	\$ 268,669	\$ 90,374

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

Note 7 – Net Investment in Capital Assets

Net investment in capital assets as of June 30, 2017 consisted of the following:

<u>Description</u>	<u>Balance</u>
Capital assets – not being depreciated	\$ 330,875
Capital assets – being depreciated, net	4,434,213
Loan payable – current portion	(160,659)
Loan payable – noncurrent portion	<u>(2,556,686)</u>
Total net investment in capital assets	<u>\$ 2,047,743</u>

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 8 – Fund Balance

A detailed schedule of fund balances and their funding composition at June 30, 2017 is as follows:

Description	Balance
Nonspendable:	
Materials and supplies inventory	\$ 75,377
Deposits with Vector Control Joint Powers Agency (VCJPA)	331,859
Total nonspendable	407,236
Assigned:	
Compensated absences	75,991
Unassigned:	
Unassigned	2,574,794
Total fund balances	\$ 3,058,021

Note 9 – Deferred Compensation Savings Plan

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

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

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

West Valley Mosquito and Vector Control District
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2017

Note 10 – Risk Management

Self-Insurance and Joint Powers Agency

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

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

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

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

The District's share of the VCJPA's Members Trust Fund and Property Contingency Fund balance as of June 30, 2017 totaled \$331,859. The balance includes interest earnings and may be withdrawn upon leaving the plan with a sixty-day notice. At the termination of the joint powers agreement and after all claims have been settled, any excess or deficit will be divided among the districts in accordance with its governing documents.

Note 11 – Contingencies

Litigation

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

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REQUIRED SUPPLEMENTARY INFORMATION

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West Valley Mosquito and Vector Control District
Required Supplementary Information (Unaudited)
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2017

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:			
Charges for services:			
Property assessments	\$ 2,683,550	\$ 2,799,745	\$ 116,195
Contract services	458,100	321,906	(136,194)
Investment earnings	14,000	8,423	(5,577)
Other revenues	25,000	38,407	13,407
Total revenues	<u>3,180,650</u>	<u>3,168,481</u>	<u>(12,169)</u>
Expenditures:			
Current:			
Salaries and benefits	1,920,989	1,860,468	60,521
Materials and services	919,576	897,690	21,886
Contract service costs	34,000	8,878	25,122
Capital outlay	61,085	5,394	55,691
Debt service:			
Principal	167,000	166,419	581
Interest	78,000	79,817	(1,817)
Total expenditures	<u>3,180,650</u>	<u>3,018,666</u>	<u>161,984</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 149,815</u>	<u>\$ 149,815</u>
Fund balance:			
Beginning of year		<u>2,908,206</u>	
End of year		<u>\$ 3,058,021</u>	

Notes to the Budgetary Comparison Schedule:

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

West Valley Mosquito and Vector Control District
Required Supplementary Information (Unaudited)
Schedule of the District's Proportionate Share of the Plan's Net Pension Liability
For the Year Ended June 30, 2017

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

Measurement Date:	June 30, 2016¹	June 30, 2015¹	June 30, 2014¹
Proportion of the collective net pension liability	<u>0.003105%</u>	<u>0.003096%</u>	<u>0.003038%</u>
Proportionate share of the collective net pension liability	<u>\$ 268,669</u>	<u>\$ 212,486</u>	<u>\$ 189,052</u>
Covered payroll	<u>\$ 1,074,387</u>	<u>\$ 992,636</u>	<u>\$ 884,829</u>
Proportionate share of the collectiv net pension liability as a percentage of covered payroll	<u>25.01%</u>	<u>21.41%</u>	<u>21.37%</u>
Plan's fiduciary net position as a percentage of the plan's total pension liability	<u>74.06%</u>	<u>78.40%</u>	<u>79.82%</u>

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

West Valley Mosquito and Vector Control District
Required Supplementary Information (Unaudited)
Schedule of Contributions
For the Year Ended June 30, 2017

Last Ten Fiscal Years

California Public Employees' Retirement System (CalPERS) Miscellaneous Plan

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

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