

**SAN GABRIEL VALLEY MOSQUITO AND VECTOR
CONTROL DISTRICT
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended
June 30, 2019**



SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT

For the Fiscal Year Ended June 30, 2019

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Financial Section



INDEPENDENT AUDITORS' REPORT

Board of Trustees
San Gabriel Valley Mosquito and Vector Control District
West Covina, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and general fund of San Gabriel Valley Mosquito and Vector Control District (District) as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of San Gabriel Valley Mosquito and Vector Control District, as of June 30, 2019, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 9, budgetary comparison information on page 40, schedule of proportionate share of the net pension liability on page 41, schedule of the contributions to the pension plan on page 42, and schedule of changes in the net OPEB liability and related ratios on page 43, 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 separate report dated November 1, 2019, 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.

Murrieta, California
November 1, 2019

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT
Management's Discussion and Analysis (Unaudited)
 For the Fiscal Year Ended June 30, 2019

Management's Discussion and Analysis (MD&A) offers readers of San Gabriel Valley Mosquito and Vector Control District's (District) financial statements a narrative overview of the District's financial activities for the fiscal year ended June 30, 2019. This MD&A presents financial highlights, an overview of the accompanying financial statements, an analysis of net position and results of operations, a current-to prior year analysis, a discussion on restrictions, commitments and limitations, and a discussion of significant activity involving capital assets and long-term debt. Please read in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

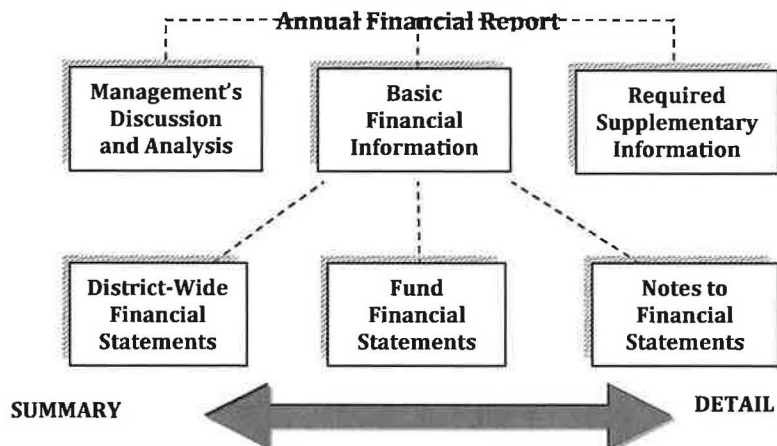
- The District's net position increased 5.71%, or \$356,204 from the prior year's net position of \$6,242,329 to \$6,598,533, as a result of this year's operations.
- Total revenues from all sources increased by 15.94%, or \$649,326 from \$4,073,357 to \$4,722,683, from the prior year, primarily due to a \$741,607 increase in the annual property assessment.
- Total expenses for the District's operations increased by 12.76% or \$494,087 from \$3,872,392 to \$4,366,479, from the prior year, primarily due to increases in all expense categories noting primarily that salaries and wages expense increased \$73,593 and employee benefits expense increased \$253,675.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- *District-wide financial statements* provide both short-term and long-term information about the District's overall financial status.
- *Fund financial statements* focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
 - The *governmental funds* statements tell how basic services were financed in the short term as well as what remains for future spending.

Figure A-1. Organization of San Gabriel Valley Mosquito and Vector Control District's



The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2. Major Features of the District-Wide and Fund Financial Statements

| Type of Statements | District-Wide | Governmental Fund |
|---|--|--|
| <i>Scope</i> | Entire District | The activities of the District that are not proprietary or fiduciary, such as fire and ambulance services |
| <i>Required financial statements</i> | <ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities | <ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances |
| <i>Accounting basis and measurement focus</i> | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus |
| <i>Type of asset/liability information</i> | All assets and liabilities, both financial and capital, short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included |
| <i>Type of inflow/outflow information</i> | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter |

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics and the condition of buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as weed abatement, landscape maintenance, and administration. State and local programs finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by grantor requirements.

The District has one fund, the General Fund.

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION

Analysis of Net Position

Table A-1: Condensed Statement of Net Position

| | <u>June 30, 2019</u> | <u>June 30, 2018</u> | <u>Change</u> |
|---------------------------------------|----------------------|----------------------|-------------------|
| Assets: | | | |
| Current assets | \$ 5,233,667 | \$ 4,827,736 | \$ 405,931 |
| Capital assets, net | <u>2,883,501</u> | <u>2,906,367</u> | <u>(22,866)</u> |
| Total assets | <u>8,117,168</u> | <u>7,734,103</u> | <u>383,065</u> |
| Deferred outflows of resources | <u>770,264</u> | <u>785,399</u> | <u>(15,135)</u> |
| Liabilities: | | | |
| Current liabilities | 207,724 | 212,808 | (5,084) |
| Non-current liabilities | <u>1,999,630</u> | <u>2,002,208</u> | <u>(2,578)</u> |
| Total liabilities | <u>2,207,354</u> | <u>2,215,016</u> | <u>(7,662)</u> |
| Deferred inflows of resources | <u>81,545</u> | <u>62,157</u> | <u>19,388</u> |
| Net position: | | | |
| Net investment in capital assets | 2,822,409 | 2,780,729 | 41,680 |
| Unrestricted | <u>3,776,124</u> | <u>3,461,600</u> | <u>314,524</u> |
| Total net position | <u>\$ 6,598,533</u> | <u>\$ 6,242,329</u> | <u>\$ 356,204</u> |

At the end of fiscal year 2019, the District shows a positive balance in its unrestricted net position of \$3,776,124 that may be utilized in future years.

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT
Management's Discussion and Analysis (Unaudited)
 For the Fiscal Year Ended June 30, 2019

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Analysis of Revenues and Expenses

Table A-2: Condensed Statement of Activities

| | <u>June 30, 2019</u> | <u>June 30, 2018</u> | <u>Change</u> |
|---|----------------------|----------------------|-------------------|
| Program revenues | \$ 4,596,294 | \$ 4,042,014 | \$ 554,280 |
| Expenses | <u>(4,366,479)</u> | <u>(3,872,392)</u> | <u>(494,087)</u> |
| Net program expense | 229,815 | 169,622 | 60,193 |
| General revenues | <u>126,389</u> | <u>31,343</u> | <u>95,046</u> |
| Change in net position | 356,204 | 200,965 | 155,239 |
| Net position - beginning of period | 6,242,329 | 6,011,043 | 231,286 |
| Prior period adjustment | <u>-</u> | <u>30,321</u> | <u>(30,321)</u> |
| Net position - end of period | <u>\$ 6,598,533</u> | <u>\$ 6,242,329</u> | <u>\$ 356,204</u> |

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, the operations of the District increased by \$356,204 during the fiscal year ended June 30, 2019.

Table A-3: Total Revenues

| | <u>June 30, 2019</u> | <u>June 30, 2018</u> | <u>Increase (Decrease)</u> |
|-----------------------------------|----------------------|----------------------|--------------------------------|
| Program revenues: | | | |
| Property assessments | \$ 4,576,291 | \$ 3,834,684 | \$ 741,607 |
| Penalties and fees on assessments | 13,738 | 13,505 | 233 |
| Grant revenue | - | 159,850 | (159,850) |
| Other revenues | <u>6,265</u> | <u>33,975</u> | <u>(27,710)</u> |
| Total program revenues | <u>4,596,294</u> | <u>4,042,014</u> | <u>554,280</u> |
| General revenues: | | | |
| Investment earnings | <u>126,389</u> | <u>31,343</u> | <u>95,046</u> |
| Total general revenues | <u>126,389</u> | <u>31,343</u> | <u>95,046</u> |
| Total revenues | <u>\$ 4,722,683</u> | <u>\$ 4,073,357</u> | <u>\$ 649,326</u> |

Total revenues from all sources increased by 15.94%, or \$649,326 from \$4,073,357 to \$4,722,683, from the prior year, primarily due to a \$741,607 increase in the annual property assessment.

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

FINANCIAL ANALYSIS AND CONDENSED FINANCIAL INFORMATION (continued)

Analysis of Revenues and Expenses (continued)

Table A-4: Total Expenses

| | <u>June 30, 2019</u> | <u>June 30, 2018</u> | <u>Increase (Decrease)</u> |
|------------------------|----------------------|----------------------|--------------------------------|
| Expenses: | | | |
| Salaries and wages | \$ 2,386,403 | \$ 2,312,810 | \$ 73,593 |
| Employee benefits | 706,661 | 452,986 | 253,675 |
| Materials and services | 825,973 | 758,749 | 67,224 |
| Insurance | 188,524 | 121,097 | 67,427 |
| Depreciation expense | 225,166 | 212,981 | 12,185 |
| Interest expense | 33,752 | 13,769 | 19,983 |
| Total expenses | <u>\$ 4,366,479</u> | <u>\$ 3,872,392</u> | <u>\$ 494,087</u> |

Total expenses for the District's operations increased by 12.76% or \$494,087 from \$3,872,392 to \$4,366,479, from the prior year, primarily due to increases in all expense categories noting primarily that salaries and wages expense increased \$73,593 and employee benefits expense increased \$253,675.

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, 2019, the District reported a total fund balance of \$5,123,317. An amount of \$2,759,315 constitutes the District's *unassigned fund balance*, which is available for future expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final budgeted expenditures for the District at year-end were \$400,462 more than actual. The variance is principally due to over-budgeting \$307,429 for salaries and benefits expense. Actual revenues were greater than the anticipated budget by \$110,720.

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2019

CAPITAL ASSET ADMINISTRATION

Table A-5: Capital Assets at Year End, Net of Depreciation

| | <u>Balance</u> <u>June 30, 2019</u> | <u>Balance</u> <u>June 30, 2018</u> |
|----------------------------------|--|--|
| Capital assets: | | |
| Non-depreciable assets | \$ 810,341 | \$ 330,875 |
| Depreciable assets | 4,327,987 | 6,175,628 |
| Accumulated depreciation | <u>(2,254,827)</u> | <u>(1,499,562)</u> |
| Total capital assets, net | <u><u>\$ 2,883,501</u></u> | <u><u>\$ 5,006,941</u></u> |

At the end of fiscal year 2019, the District's investment in capital assets amounted to \$2,883,501 (net of accumulated depreciation). This investment in capital assets includes structures, improvements, vehicles and equipment. Major capital asset additions during the year include various vehicles and equipment totaling \$202,300.

See Note 5 for further information on the District's capital assets.

LONG-TERM DEBT ADMINISTRATION

Table A-6: Long-Term Debt at Year End

| | <u>Balance</u> <u>June 30, 2019</u> | <u>Balance</u> <u>June 30, 2018</u> |
|------------------------|--|--|
| Long-term debt: | | |
| Capital lease payable | <u><u>\$ 61,092</u></u> | <u><u>\$ 125,638</u></u> |

See Note 7 for further information on the District's long-term debt.

FACTORS 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 based on past, present and future events.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the District Manager at (626) 814-9466.

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT
Statement of Net Position
June 30, 2019
(With Comparative Amounts as of June 30, 2018)

| | <u>Governmental Activities</u> | |
|---|--------------------------------|--------------------------|
| | <u>2019</u> | <u>Restated 2018</u> |
| ASSETS | | |
| Current assets: | | |
| Cash and investments (Note 2) | \$ 4,933,494 | \$ 4,524,711 |
| Restricted cash and investments for MVCAC (Note 2 and 3) | 10,722 | 11,775 |
| Accrued interest receivable | 25,963 | 21,530 |
| Property assessments receivable | 120,839 | 119,392 |
| Grant receivable | - | 48,815 |
| Prepaid expenses | 40,855 | 4,254 |
| Deposits with Vector Control Joint Powers Agency (VCJPA) (Note 4) | 101,794 | 97,259 |
| Total current assets | 5,233,667 | 4,827,736 |
| Non-current assets: | | |
| Capital assets – not being depreciated (Note 5) | 810,341 | 810,341 |
| Capital assets – being depreciated, net (Note 5) | 2,073,160 | 2,096,026 |
| Total non-current assets | 2,883,501 | 2,906,367 |
| Total assets | 8,117,168 | 7,734,103 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred amounts related to net OPEB obligation (Note 8) | 104,663 | 12,820 |
| Deferred amounts related to net pension liability (Note 9) | 665,601 | 772,579 |
| Total deferred outflows of resources | 770,264 | 785,399 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | 49,788 | 14,580 |
| Accrued salaries and benefits | 49,840 | 51,880 |
| Restricted for MVCAC expenses (Note 3) | 10,722 | 11,775 |
| Long-term liabilities – due in one year: | | |
| Compensated absences (Note 6) | 72,386 | 72,646 |
| Capital lease payable (Note 7) | 24,988 | 61,927 |
| Total current liabilities | 207,724 | 212,808 |
| Non-current liabilities: | | |
| Long-term liabilities – due in more than one year: | | |
| Compensated absences (Note 6) | 108,578 | 108,968 |
| Capital lease payable (Note 7) | 36,104 | 63,711 |
| Net OPEB obligation (Note 8) | 92,998 | 7,800 |
| Net pension liability (Note 9) | 1,761,950 | 1,821,729 |
| Total non-current liabilities | 1,999,630 | 2,002,208 |
| Total liabilities | 2,207,354 | 2,215,016 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred amounts related to net pension liability (Note 9) | 81,545 | 62,157 |
| Total deferred inflows of resources | 81,545 | 62,157 |
| NET POSITION | | |
| Net investment in capital assets (Note 10) | 2,822,409 | 2,780,729 |
| Unrestricted | 3,776,124 | 3,461,600 |
| Total net position | \$ 6,598,533 | \$ 6,242,329 |

The notes to financial statements are an integral part of this statement.

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT*Statement of Activities**For the Fiscal Year Ended June 30, 2019**(With Comparative Amounts for the Fiscal Year Ended June 30, 2018)*

| | Governmental Activities | |
|--|--------------------------------|--------------------------|
| | 2019 | Restated 2018 |
| Expenses: | | |
| Mosquito and vector control: | | |
| Salaries and wages | \$ 2,386,403 | \$ 2,312,810 |
| Employee benefits | 706,661 | 452,986 |
| Materials and services | 825,973 | 758,749 |
| Insurance | 188,524 | 121,097 |
| Depreciation expense | 225,166 | 212,981 |
| Interest expense | 33,752 | 13,769 |
| Total expenses | 4,366,479 | 3,872,392 |
| Program revenues: | | |
| Charges for services: | | |
| Property assessments | 4,576,291 | 3,834,684 |
| Penalties and fees on assessments | 13,738 | 13,505 |
| Grant revenue | - | 159,850 |
| Other revenue | 6,265 | 33,975 |
| Total program revenues | 4,596,294 | 4,042,014 |
| Net program expense | 229,815 | 169,622 |
| General revenues: | | |
| Investment earnings | 126,389 | 31,343 |
| Total general revenues | 126,389 | 31,343 |
| Change in net position | 356,204 | 200,965 |
| Net position: | | |
| Beginning of year, as restated (Note 12) | 6,242,329 | 6,011,043 |
| Prior period adjustments, as restated | - | 30,321 |
| End of year | \$ 6,598,533 | \$ 6,242,329 |

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT
Balance Sheet – Governmental Funds
 June 30, 2019

| <u>ASSETS</u> | <u>General Fund</u> |
|--|-------------------------|
| Assets: | |
| Cash and investments | \$ 4,933,494 |
| Restricted cash and investments for MVCAC | 10,722 |
| Accrued interest receivable | 25,963 |
| Property assessments receivable | 120,839 |
| Prepaid expenses | 40,855 |
| Deposits with Vector Control Joint Powers Agency (VCJPA) | 101,794 |
| Total assets | \$ 5,233,667 |
| <u>LIABILITIES AND FUND BALANCE</u> | |
| Liabilities: | |
| Accounts payable and accrued expenses | \$ 49,788 |
| Accrued salaries and benefits | 49,840 |
| Restricted for MVCAC expenses | 10,722 |
| Total liabilities | 110,350 |
| Fund balance: (Note 11) | |
| Nonspendable | 40,855 |
| Assigned | 2,323,147 |
| Unassigned | 2,759,315 |
| Total fund balance | 5,123,317 |
| Total liabilities and fund balance | \$ 5,233,667 |

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2019

| | |
|--|----------------------------|
| Fund Balance – Governmental Funds | <u>\$ 5,123,317</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. | 2,883,501 |
| 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. | 770,264 |
| 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: | |
| Compensated absences | (180,964) |
| Capital lease payable | (61,092) |
| Net OPEB obligation | (92,998) |
| Net pension liability | (1,761,950) |
| 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>(81,545)</u> |
| Total adjustments | <u>1,475,216</u> |
| Net Position – Governmental Activities | <u><u>\$ 6,598,533</u></u> |

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2019

| | <u>General Fund</u> |
|--|-------------------------|
| Revenues: | |
| Charges for services: | |
| Property assessments | \$ 4,576,291 |
| Penalties and fees on assessments | 13,738 |
| Investment earnings | 126,389 |
| Other revenues | 6,265 |
| Total revenues | <u>4,722,683</u> |
| Expenditures: | |
| Current: | |
| Salaries and wages | 2,385,753 |
| Employee benefits | 766,603 |
| Materials and services | 825,973 |
| Insurance | 188,524 |
| Capital outlay | 202,300 |
| Debt service: | |
| Principal | 64,546 |
| Interest | 33,752 |
| Total expenditures | <u>4,467,451</u> |
| Net change in fund balance | 255,232 |
| Fund balance: | |
| Beginning of year, as restated (Note 12) | <u>4,868,085</u> |
| End of year | <u>\$ 5,123,317</u> |

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT
*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Statement of Activities*
For the Fiscal Year Ended June 30, 2019

| | |
|--|--------------------------|
| Net Change in Fund Balance – Governmental Funds | <u>\$ 255,232</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 | (650) |
| Net change in net OPEB obligation and related deferred resources | (6,645) |
| Net change in net pension liability and related deferred resources | 66,587 |
| 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 | 202,300 |
| Depreciation expense | (225,166) |
| 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>64,546</u> |
| Total adjustments | <u>100,972</u> |
| Change in Net Position – Governmental Activities | <u><u>\$ 356,204</u></u> |

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT*Notes to Financial Statements**June 30, 2019*

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**A. Description of Organization**

The San Gabriel Valley Mosquito and Vector Control District (District) was originally formed as the San Gabriel Valley Mosquito Abatement District pursuant to Section 2200, et seq. of the Health and Safety Code and incorporated in the State of California in August 1989. The District covers a total of 284 square miles encompassing the cities of Alhambra, Arcadia, Azusa, Baldwin Park, Bradbury, Claremont, Covina, Duarte, El Monte, Glendora, Industry, Irwindale, La Puente, La Verne, Monrovia, Monterey Park, Pasadena, Pomona, Rosemead, San Dimas, San Gabriel, Sierra Madre, South Pasadena, Temple City, Walnut, West Covina, and the unincorporated portions of the County of Los Angeles in the San Gabriel Valley.

The purpose of the District is to provide operational mosquito and vector control and surveillance in order to protect the residents of the District from mosquito-borne disease and from other diseases and vectors. The District is governed by a Board of Trustees, which consists of 27 members, one member from each city and a representative of Los Angeles County.

The criteria used in determining the scope of the financial reporting entity is based on the provisions of Governmental Accounting Statements No. 61, The Financial Reporting Entity. The District is the primary governmental unit based on the foundation of a separately elected governing board that is elected by the citizens in a general popular election. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The District is financially accountable if it appoints a voting majority of the organization's governing body and: 1) It is able to impose its will on that organization, or 2) There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The District has no component units as of year-end.

B. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete.

The District has identified no organizations that are required to be reported as component units.

C. Basis of Presentation, Basis of Accounting**1. Basis of Presentation****Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the primary government (District) and its component units. These statements include the financial activities of the overall government. Governmental activities generally are financed through property assessments, intergovernmental revenues, and other nonexchange transactions.

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT*Notes to Financial Statements**June 30, 2019*

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**C. Basis of Presentation, Basis of Accounting (continued)****1. Basis of Presentation (continued)****Government-Wide Financial Statements (continued)**

The statement of activities presents a comparison between direct expenses and program revenues for the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges for services or property assessments paid by the recipients of those goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including investment earnings, are presented as general revenues.

Major Governmental Funds

The District maintains the following major governmental funds:

General Fund: This fund is used to account for all financial resources of the District, except those required to be accounted for in another fund when necessary.

2. Measurement Focus, Basis of Accounting**Government-Wide Financial Statements**

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 at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental funds 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

3. Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days.

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT*Notes to Financial Statements**June 30, 2019*

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)**C. Basis of Presentation, Basis of Accounting (continued)****3. Revenues - Exchange and Non-Exchange Transactions (continued)**

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position**1. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the District considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

2. Investments

Investments are reported at fair value except for short-term investments, which are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value. Investments in governmental investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio.

In accordance with fair value measurements, the District categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The District has the ability to access the holding and quoted prices as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

3. Prepaid Items

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

4. Capital Assets

Capital assets are stated at cost or at their estimated fair value at date of donation. It is the District's policy to capitalize assets costing over \$5,000. The provision for depreciation is computed using the straight-line method over the estimated service lives of the capital assets.

Estimated service lives for the District's classes of assets are as follows:

| <u>Asset Class</u> | <u>Useful Lives</u> |
|-----------------------------|---------------------|
| Structures and improvements | 15-50 years |
| Equipment and Vehicles | 3-10 years |

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

6. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual and vacation leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

It is the District's policy to allow vacation pay of twelve working days for each of the first five full years of employment, fifteen days for the sixth year of employment to the eighth year, eighteen days for the ninth to thirteenth year, nineteen and one-half days for fourteenth to nineteenth year, and twenty-four days thereafter. Vacation time may accumulate from year to year to a maximum of thirty days for each employee. A noncurrent amount of vacation liability will be recorded as fund expenditures in the year in which they are paid or become due on demand to terminated employees.

Employees may accumulate up to 240 hours of sick leave, Employees who accumulate hours in excess of 240 hours during the fiscal year shall be compensated for each hour at 50% of the current pay rate and the hours shall be removed from the books at the end of the fiscal year. Upon official retirement from District service, the employee shall be compensated for accumulated sick leave not to exceed 240 hours at fifty percent (50%) of the employee's current rate of pay.

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

7. 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) plan and addition to/deductions 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.

8. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), 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 net position that does not meet the definition of "net investment in capital assets" or "restricted".

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

9. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

9. Fund Balances (continued)

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

E. Use of Estimates

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

F. Property Assessments

The District, as authorized by Health and Safety Code Section 2291.2, levies an assessment on real property within the District. The assessment, as approved by the Board of Trustees, is levied to each assessable parcel in the District, based upon land use and size and is intended to completely cover the cost of providing vector control services within the District.

The assessment is collected by the Los Angeles County Tax Collector on or before the first business day of September of each year. They become a lien on real property on March 1 preceding the fiscal year for which the taxes are levied. These tax payments can be made in two installments; the first is due November 1 and delinquent with penalties after December 1 0; the second is due February 1 and delinquent with penalties after April 10.

If delinquent taxes are not paid within five years, the property may be sold at public auction. The proceeds are used to pay delinquent amounts due, and any excess, if claimed, is returned to the taxpayer. The amount of assessments due to the District which are uncollectible is negligible and, accordingly, no provision for uncollectible amounts has been recorded.

Property assessments are recognized in the fiscal year for which the assessments have been levied providing they become available. Available means then due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT
Notes to Financial Statements
 June 30, 2019

NOTE 2 – CASH AND INVESTMENTS

Cash and investments were classified in the accompanying financial statements as follows:

| <u>Description</u> | <u>Balance</u> |
|---|---------------------|
| Cash and investments | \$ 4,933,494 |
| Restricted cash and investments for MVCAC | 10,722 |
| Total cash and investments | \$ 4,944,216 |

Cash and investments consisted of the following:

| <u>Description</u> | <u>Balance</u> |
|---|---------------------|
| Cash on hand | \$ 242 |
| Demand deposits with financial institutions | 351,084 |
| Deposits with the California Local Agency Investment Fund (LAIF) | 1,385,464 |
| Deposits with the County of Los Angeles Pooled Investment Fund (LACPIF) | 3,207,426 |
| Total cash and investments | \$ 4,944,216 |

The table below identifies the investment types that are authorized by the California Government Code and the District's investment policy. The table also identifies certain provisions of the District's investment policy that address interest rate risk and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements rather than the general provisions of the California Government Code or the District's investment policy.

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Maximum Percentage of Portfolio</u> | <u>Maximum Investment in One Issuer</u> |
|--|-----------------------------|--|---|
| U.S. Treasury obligations | 5-years | None | None |
| District issued bonds | 5-years | None | None |
| Government sponsored agency securities | 5-years | None | None |
| Certificates-of-deposit | 5-years | 35% | None |
| Money-market funds | N/A | None | None |
| California Local Agency Investment Fund (LAIF) | N/A | None | None |
| County of Los Angeles Pooled Investment Fund | N/A | None | None |

Demand Deposits with Financial Institutions

At June 30 2019, the carrying amount of the District's demand deposits were \$351,084, and the financial institution's balance was \$495,984. The net difference represents outstanding checks, deposits-in-transit and/or other reconciling items between the financial institution's balance and the District's balance for each year.

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 2 – CASH AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, 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 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

Local Agency Investment Fund (LAIF)

The California State Treasurer, through the Pooled Money Investment Account (PMIA), invests taxpayers' money to manage the State's cash flow and strengthen the financial security of local governmental entities. PMIA policy sets as primary investment objectives safety, liquidity and yield. Through the PMIA, the Investment Division manages the Local Agency Investment Fund (LAIF). The LAIF allows cities, counties and special districts to place money in a major portfolio and, at no additional costs to taxpayers, use the expertise of Investment Division staff. Participating agencies can withdraw their funds from the LAIF at any time as LAIF is highly liquid and carries a dollar-in dollar-out amortized cost methodology.

The District is a voluntary participant in LAIF. The fair value of the District's investment in this pool is reported at an amount 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 the of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF. LAIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers LAIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2019, the District held \$1,385,464 in LAIF.

Los Angeles County Pooled Investment Fund (LACPIF)

The District is a voluntary participant in the Los Angeles County Pooled Investment Fund (LACPIF) pursuant to Government Code Section 53694. The cash flow needs of participants are monitored daily to ensure that sufficient liquidity is maintained to meet the needs of those participants. At the time deposits are made, the Los Angeles County Treasurer may require the depositing entity to provide annual cash flow projections or an anticipated withdrawal schedule for deposits in excess of \$1 million. Projections are performed no less than semi-annually. In accordance with Government Code Section 27136, all request for withdrawal of funds for the purpose of investing or deposits the funds elsewhere shall be evaluated to ensure the proposed withdrawal will not adversely affect the principal deposits of the other participants. Pool detail may be obtained from the County of Los Angeles Treasurer's Office – 225 N. Hill Street – Los Angeles, CA 90012 or the Treasurer and Tax Collector's office website at www.ttc.lacounty.gov.

LAVPIF is not categorized under the fair value hierarchy established by GAAP as it is held at an amortized cost basis and it is Not Rated under the current credit risk ratings format. For financial reporting purposes, the District considers the LACPIF a cash equivalent due to its highly liquid nature and dollar-in dollar-out amortized cost methodology. As of June 30, 2019, the District held \$3,207,426 in LACPIF.

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT*Notes to Financial Statements**June 30, 2019*

NOTE 2 – CASH AND INVESTMENTS (continued)**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. As of June 30, 2019, the District's investment in the LACTIP was rated by Standard & Poor's as AAf/S1.

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 the LACPIF.

NOTE 3 – RESTRICTED CASH AND INVESTMENTS FOR MVCAC

The District is holding \$10,722 for the Mosquito and Vector Control Association of California (MVCAC) – Southern Region to be used for Continuing Education Event funding for MVCAC Southern Region District members.

NOTE 4 – DEPOSITS WITH VECTOR CONTROL JOINT POWERS AGENCY (VCJPA)

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-five 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 VCJPA's purpose is to arrange and administer programs of self-insured losses and to purchase excess or group insurance coverage. The day-to-day business is handled by a risk management group contracted by the VCJPA. See Note 14 for further information.

The District's share of the VCJPA's Members Property Contingency Fund balance as of June 30, 2019 totaled \$101,794. 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.

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT

Notes to Financial Statements

June 30, 2019

NOTE 5 - CAPITAL ASSETS

Changes in capital assets for the year were as follows:

| | Balance July 1, 2018 | Additions/ Transfers | Deletions/ Transfers | Balance June 30, 2019 |
|---------------------------------------|-------------------------|-------------------------|-------------------------|--------------------------|
| Non-depreciable capital assets: | | | | |
| Land | \$ 810,341 | \$ - | \$ - | \$ 810,341 |
| Construction-in-process | - | - | - | - |
| Total non-depreciable capital assets | 810,341 | - | - | 810,341 |
| Depreciable capital assets: | | | | |
| Structures and improvements | 2,992,458 | - | - | 2,992,458 |
| Equipment and vehicles | 1,614,151 | 202,300 | (480,922) | 1,335,529 |
| Total depreciable capital assets | 4,606,609 | 202,300 | (480,922) | 4,327,987 |
| Accumulated depreciation: | | | | |
| Structures and improvements | (1,281,941) | (68,415) | - | (1,350,356) |
| Equipment and vehicles | (1,228,642) | (156,751) | 480,922 | (904,471) |
| Total accumulated depreciation | (2,510,583) | (225,166) | 480,922 | (2,254,827) |
| Total depreciable capital assets, net | 2,096,026 | (22,866) | - | 2,073,160 |
| Total capital assets, net | \$ 2,906,367 | \$ (22,866) | \$ - | \$ 2,883,501 |

NOTE 6 - COMPENSATED ABSENCES

Changes to compensated absences balances for the year were as follows:

| Balance July 1, 2018 | Additions | Deletions | Balance June 30, 2019 | Current Portion | Long-term Portion |
|-------------------------|------------|--------------|--------------------------|--------------------|----------------------|
| \$ 181,614 | \$ 176,635 | \$ (177,285) | \$ 180,964 | \$ 72,386 | \$ 108,578 |

NOTE 7 - CAPITAL LEASE PAYABLE

Changes in the capital lease payable amounts for the year were as follows:

| Long-term Debt | Balance July 1, 2018 | Additions | Payments | Balance June 30, 2019 | Current Portion | Long-term Portion |
|----------------|-------------------------|-----------|-------------|--------------------------|--------------------|----------------------|
| Capital lease | \$ 125,638 | - | \$ (64,546) | \$ 61,092 | \$ 24,988 | \$ 36,104 |

The District leased eight vehicles and a telephone system under a capital lease payable. The leases are each for a sixty-month period. The monthly payments on these eight vehicles totaled \$4,563. The annual payment on the telephone system was \$16,132. In fiscal year 2019, the District paid-off the capital lease on four of the vehicles and the telephone system. The monthly payments on the remaining four vehicles totals \$2,490.

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT*Notes to Financial Statements**Years Ended June 30, 2019***NOTE 7 – CAPITAL LEASE PAYABLE (continued)**

The following is a schedule by years of the future minimum lease payments under the capital lease agreements together with the present value of the net minimum lease payments as of June 30, 2019:

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|------------------|-----------------|--------------|
| 2020 | \$ 24,988 | \$ 4,892 | \$ 29,880 |
| 2021 | 27,552 | 2,328 | 29,880 |
| 2022 | 8,552 | 163 | 8,715 |
| Total | 61,092 | \$ 7,383 | \$ 68,475 |
| Current | (24,988) | | |
| Long-term | \$ 36,104 | | |

NOTE 8 – NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION**Summary**

The following balances on the balance sheet will be addressed in this footnote as follows:

| <u>Description</u> | <u>2019</u> |
|---|-------------|
| OPEB related deferred outflows | \$ 104,663 |
| Net other post-employment benefits obligation | 92,998 |

Plan Description - Eligibility

The District administers its post-employment benefits plan, a single-employer defined benefit plan (the Plan). The following requirements must be satisfied in order to be eligible for post-employment medical benefits: (1) Attainment of age 50, and 10 years for full-time service, and (2) retirement from the District (the District must be the last employer prior to retirement).

Plan Description - Benefits

The District offers post-employment medical benefits to retired employees who satisfy the eligibility rules. Retirees may enroll in any plan available through the CalPERS medical program. The contribution requirements of plan members and the District are established and may be amended by the Board of Directors. The following is a description of the current retiree benefit plan:

| <u>Description</u> | <u>Participants</u> |
|--------------------------|---|
| Benefit types provided | Medical only |
| Duration of benefits | Lifetime |
| Required service | CalPERS Retirement and 10 years service |
| Minimum age | 50 years and CalPERS Retirement from District |
| Dependent coverage | Surviving spouse may participate subject to PEMHCA |
| District contribution | 50% at 10-years of service, plus 5% for each additional year to 100% at 20 or more years of service |
| District cap on coverage | Highest single-rate |

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT

Notes to Financial Statements

Years Ended June 30, 2019

NOTE 8 – NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION (continued)

Employees covered by benefit terms

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

| <u>Description</u> | <u>2019</u> |
|---|------------------|
| Inactive plan members or beneficiaries currently receiving benefit payments | 2 |
| Inactive plan members entitled to but not yet receiving benefit payments | - |
| Active plan members | <u>31</u> |
| Total | <u><u>33</u></u> |

A. Total Net OPEB Liability

The District's total net OPEB liability of \$92,998 as of June 30, 2019 was measured as of June 30, 2018 (Measurement Date), and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs

The total net OPEB liability in the June 30, 2018 (Measurement Date) actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|-----------------------------|---------------|
| Valuation Date | June 30, 2018 |
| Experience Study | N/A |
| Inflation | 2.75% |
| Salary increases | 2.75% |
| Investment rate of return | 6.50% |
| Healthcare cost trend rates | 4.0 percent |

Mortality, Retirement & Turnover Assumptions

The mortality assumptions are based on the 2014 Active Mortality for Miscellaneous Employees table created by CalPERS.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions would be sufficient to fully fund the obligation over a period not to exceed 30 years.

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT
Notes to Financial Statements
Years Ended June 30, 2019

NOTE 8 – NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION (continued)

B. Changes in the Total OPEB Liability

The following table is based on the roll-forward of the June 30, 2018 (Measurement Date) actuarial valuation:

| | Increase (Decrease) | | |
|--|-------------------------|--------------------------------|-----------------------|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
| Balance at July 1, 2018 (Measurement date July 1, 2017) | \$ 635,913 | \$ 628,113 | \$ 7,800 |
| Changes for the year: | | | |
| Service cost | 53,488 | - | 53,488 |
| Interest | 42,656 | - | 42,656 |
| Changes in assumptions | - | - | - |
| Changes in experience | 39,668 | - | 39,668 |
| Difference in earnings on Plan investments | - | 1,989 | 1,989 |
| Employer contributions | - | 12,820 | (12,820) |
| Actual investment income | - | 40,790 | (40,790) |
| Administrative expense | - | (1,007) | 1,007 |
| Benefit payments | (12,820) | (12,820) | - |
| Net changes | 122,992 | 41,772 | 85,198 |
| Balance at June 30, 2019 (Measurement date June 30, 2018) | \$ 758,905 | \$ 669,885 | \$ 92,998 |

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB 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 discount rate:

| | 1% Decrease 5.5% | Discount Rate 6.5% | 1% Increase 7.5% |
|---------------|---------------------|-----------------------|---------------------|
| District Plan | \$ 201,365 | \$ 92,998 | \$ 2,598 |

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

| | 1% Decrease 3.0% | Healthcare Cost Trend Rates 4.0% | 1% Increase 5.0% |
|---------------|---------------------|--|---------------------|
| District Plan | \$ 2,395 | \$ 92,998 | \$ 197,942 |

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT

Notes to Financial Statements

Years Ended June 30, 2019

NOTE 8 – NET OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION (continued)

C. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the District recognized OPEB expense/(credit) of \$59,262.

At June 30, 2019, the District reported \$104,663 of deferred outflows/(inflows) of resources for related to the net OPEB obligation as follows:

| <u>Account Description</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| OPEB contributions made after the measurement date | \$ 65,752 | \$ - |
| Differences between expected and actual experience | 37,320 | - |
| Differences between projected and actual earnings on OPEB plan investments | 1,591 | - |
| Total Deferred Outflows/(Inflows) of Resources | <u>\$ 104,663</u> | <u>\$ -</u> |

At June 30, 2019, the District reported \$65,752 of deferred outflows of resources for employer contributions made subsequent to the measurement date which will be used to reduce the net OPEB liability balance in the coming year. Amortization of the \$38,911 of remaining deferred outflows/(inflows) of resources related to the net OPEB obligation is as follows:

| <u>Amortization Period Fiscal Year Ended June 30</u> | <u>Deferred Outflows/(Inflows) of Resources</u> |
|--|---|
| 2020 | \$ 2,746 |
| 2021 | 2,746 |
| 2022 | 2,746 |
| 2023 | 2,745 |
| 2024 | 2,348 |
| Thereafter | 25,580 |
| Total | <u>\$ 38,911</u> |

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT
Notes to Financial Statements
Years Ended June 30, 2019

NOTE 9 – PENSION PLAN**Summary**

The following balances on the balance sheet will be addressed in this footnote as follows:

| <u>Description</u> | <u>2019</u> |
|-----------------------------------|-------------|
| Pension related deferred outflows | \$ 665,601 |
| Net pension liability | 1,761,950 |
| Pension related deferred inflows | 81,545 |

The net pension liability balances have a Measurement Date of June 30, 2018 which is rolled-forward for the District's fiscal year ended June 30, 2019.

Qualified employees are covered under a multiple-employer defined benefit pension plan maintained by agencies of the State of California known as the California Public Employees' Retirement System (CalPERS), or "The Plan".

The Plan

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

| | <u>Miscellaneous Plans</u> | |
|---|------------------------------------|---------------------------------------|
| | <u>Classic Tier 1</u> | <u>PEPRA Tier 2</u> |
| Hire date | Prior to <u>January 1, 2013</u> | On or after <u>January 1, 2013</u> |
| Benefit formula | 2.0% @ 55 | 2.0% @ 62 |
| Benefit vesting schedule | 5-years of service | 5-years of service |
| Benefits payments | monthly for life | monthly for life |
| Retirement age | 50 - 67 & up | 52 - 67 & up |
| Monthly benefits, as a % of eligible compensation | 1.8% to 2.0% | 1.0% to 2.5% |
| Required member contribution rates | 7.000% | 6.250% |
| Required employer contribution rates – FY 2018 | 8.921% | 6.533% |

A. General Information about the Pension Plan**Plan Description, Benefits Provided and Employees Covered**

The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS). The District contributes to the miscellaneous risk pool within the Plan. A full description of the pension plan benefit provisions, assumptions for funding purposes but not accounting purposes, and membership information is listed in the June 30, 2017 Annual Actuarial Valuation Report. This report is a publicly available valuation report that can be obtained at CalPERS website under Forms and Publications.

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT
Notes to Financial Statements
Years Ended June 30, 2019
NOTE 9 – PENSION PLAN (continued)
A. General Information about the Pension Plan (continued)
Plan Description, Benefits Provided and Employees Covered (continued)

The California Public Employees' Pension Reform Act (PEPRA), which took effect in January 2013, changes the way CalPERS retirement benefits are applied, and places compensation limits on members. As a result of these changes since PEPRA's adoption in January 2013, the District now has two unique CalPERS plans to which it makes contributions within the miscellaneous risk pool: the "classic" plan, which includes covered employees who have established membership in a CalPERS plan prior to January 2013, as well as the "PEPRA/new" plan, which includes covered employees who have established membership in a CalPERS plan after January 2013. Each plan or membership contains unique benefits levels, which are enumerated in the June 30, 2018 Annual Actuarial Valuation Reports.

At June 30, 2019, the following members were covered by the benefit terms:

| Plan Members | Miscellaneous Plans | | Total |
|------------------------------------|---------------------|--------------|-----------|
| | Classic Tier 1 | PEPRA Tier 2 | |
| Active members | 13 | 24 | 37 |
| Transferred and terminated members | 35 | 11 | 46 |
| Retired members and beneficiaries | 9 | - | 9 |
| Total plan members | 57 | 35 | 92 |

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Contributions for the year ended June 30, 2019, (Measurement Date June 30, 2018) were as follows:

| Contribution Type | Miscellaneous Plans | | Total |
|----------------------------|---------------------|-------------------|-------------------|
| | Classic Tier 1 | PEPRA Tier 2 | |
| Contributions – employer | \$ 198,996 | \$ 78,856 | \$ 277,852 |
| Contributions – members | 14,110 | 35,631 | 49,741 |
| Total contributions | \$ 213,106 | \$ 114,487 | \$ 327,593 |

Employer contributions rates may change if plan contracts are amended. It is the responsibility of the employer to make necessary accounting adjustments to reflect the impact due to any Employer Paid Member Contributions or situations where members are paying a portion of the employer contribution.

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT*Notes to Financial Statements**Years Ended June 30, 2019***NOTE 9 – PENSION PLAN (continued)****B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)*****Proportionate Share of Net Pension Liability and Pension Expense***

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period:

Changes in the net pension liability for the year ended June 30, 2019, were as follows:

| <u>Plan Type and Balance Descriptions</u> | <u>Plan Total Pension Liability</u> | <u>Plan Fiduciary Net Position</u> | <u>Change in Plan Net Pension Liability</u> |
|--|-------------------------------------|------------------------------------|---|
| CalPERS – Miscellaneous Plan: | | | |
| Balance as of June 30, 2017 (Measurement Date) | \$ 7,769,628 | \$ 5,947,899 | \$ 1,821,729 |
| Balance as of June 30, 2018 (Measurement Date) | \$ 8,614,488 | \$ 6,852,538 | \$ 1,761,950 |
| Change in Plan Net Pension Liability | \$ 844,860 | \$ 904,639 | \$ (59,779) |

For the year ended June 30, 2019 pension expense was \$344,439.

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool.

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation dates (June 30, 2017 and 2016). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability (TPL) determines the net pension liability (NPL) at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2018). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2018 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (FY 2017-2018).
- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the Measurement Date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan's NPL at the Measurement Date is the difference between the TPL and FNP calculated in (5).

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT

Notes to Financial Statements

Years Ended June 30, 2019

NOTE 9 – PENSION PLAN (continued)

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

Proportionate Share of Net Pension Liability and Pension Expense (continued)

As of June 30, 2019, the District reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$1,761,950.

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, 2018, 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, 2017 rolled forward to June 30, 2018 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 net pension liability for the June 30, 2019, measurement date was as follows:

| | <u>Percentage Share of Risk Pool</u> | | <u>Change Increase/ (Decrease)</u> |
|---|---|---|--|
| | <u>Fiscal Year Ending June 30, 2019</u> | <u>Fiscal Year Ending June 30, 2018</u> | |
| | <u>June 30, 2018</u> | <u>June 30, 2017</u> | |
| Measurement Date | June 30, 2018 | June 30, 2017 | |
| Percentage of Risk Pool Net Pension Liability | 0.046752% | 0.046213% | 0.000539% |
| Percentage of Plan (PERF C) Net Pension Liability | 0.018285% | 0.018369% | -0.000084% |

The total amount of \$277,852 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. At June 30, 2019, 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 | \$ 277,852 | \$ - |
| Difference between actual and proportionate share of employer contributions | 7,139 | (9,311) |
| Adjustment due to differences in proportions | 103,429 | - |
| Differences between expected and actual experience | 67,603 | (23,005) |
| Differences between projected and actual earnings on pension plan investments | 8,711 | - |
| Changes in assumptions | 200,867 | (49,229) |
| Total Deferred Outflows/(Inflows) of Resources | \$ 665,601 | \$ (81,545) |

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT
Notes to Financial Statements
Years Ended June 30, 2019

NOTE 9 – PENSION PLAN (continued)

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

Proportionate Share of Net Pension Liability and Pension Expense (continued)

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions for the year ended June 30, 2019, will be amortized to pension expense in future periods as follows:

| <u>Amortization Period</u> <u>Fiscal Year Ended June 30</u> | <u>Deferred</u> <u>Outflows/(Inflows)</u> <u>of Resources</u> |
|--|---|
| 2020 | \$ 226,709 |
| 2021 | 139,260 |
| 2022 | (43,918) |
| 2023 | (15,847) |
| Total | \$ 306,204 |

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ending June 30, 2018 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2017 total pension liability. The June 30, 2019 total pension liability was based on the following actuarial methods and assumptions:

| | |
|----------------------------------|---|
| Actuarial Cost Method | Entry Age Normal in accordance with the requirement of GASB Statement No. 68 |
| Actuarial Assumptions: | |
| Discount Rate | 7.15% |
| Inflation | 2.75% |
| Salary Increases | Varies by Entry Age and Service |
| 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 |

Discount Rate

The discount rate used to measure the total pension liability for PERF B was 7.15%. A projection of expected benefit payments and contributions was performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF B. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained on CalPERS' website.

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

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT

Notes to Financial Statements

Years Ended June 30, 2019

NOTE 9 – PENSION PLAN (continued)

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

Discount Rate (continued)

The table below reflects 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. These geometric rates of return are net of administrative expenses.

| <u>Investment Type</u> | <u>New Strategic Allocation</u> | <u>Real Return Years 1 - 10¹</u> | <u>Real Return Years 11+²</u> |
|-------------------------------|---------------------------------|---|--|
| Global Equity | 47.0% | 4.90% | 5.38% |
| Global Fixed Income | 19.0% | 0.80% | 2.27% |
| Inflation Sensitive | 6.0% | 0.60% | 1.39% |
| Private Equity | 12.0% | 6.60% | 6.63% |
| Real Estate | 11.0% | 2.80% | 5.21% |
| Infrastructure and Forestland | 3.0% | 3.90% | 5.36% |
| Liquidity | 2.0% | -0.40% | 0.90% |
| | <u>100.0%</u> | | |

¹ An expected inflation rate-of-return of 2.5% is used for years 1-10.

² An expected inflation rate-of-return of 3.0% is used for years 11+.

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

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

Changes in the discount rate for the year ended June 30, 2019, was as follows:

| <u>Plan Type</u> | <u>Plan's Net Pension Liability/(Asset)</u> | | |
|------------------------------|---|--|-------------------------------------|
| | <u>Discount Rate - 1% 6.15%</u> | <u>Current Discount Rate 7.15%</u> | <u>Discount Rate + 1% 8.15%</u> |
| CalPERS – Miscellaneous Plan | <u>2,927,242</u> | <u>\$ 1,761,950</u> | <u>\$ 800,021</u> |

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

C. Payable to the Pension Plans

At June 30, 2019, the District reported no payables for outstanding contributions to the CalPERS pension plan required for the year ended June 30, 2019.

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT
Notes to Financial Statements
Years Ended June 30, 2019

NOTE 10 - NET INVESTMENT IN CAPITAL ASSETS

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

| <u>Description</u> | <u>Balance</u> |
|---|---------------------|
| Capital assets – not being depreciated | \$ 810,341 |
| Capital assets – being depreciated, net | 2,073,160 |
| Capital lease – current portion | (24,988) |
| Capital lease – non-current portion | (36,104) |
| Total net investment in capital assets | \$ 2,822,409 |

NOTE 11 - FUND BALANCE

A detailed schedule of fund balances and their funding composition at June 30, 2019 is as follows:

| <u>Description</u> | <u>Balance</u> |
|--------------------------------|---------------------|
| Nonspendable: | |
| Prepaid expenses | \$ 40,855 |
| Assigned: | |
| Public health emergencies | 1,326,200 |
| Capital projects and purchases | 815,983 |
| Compensated absences | 180,964 |
| Total assigned | 2,323,147 |
| Unassigned: | |
| Unassigned | 2,759,315 |
| Total fund balances | \$ 5,123,317 |

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT

Notes to Financial Statements

Years Ended June 30, 2019

NOTE 12 - PRIOR PERIOD ADJUSTMENTS

Government-Wide Statement of Net Position and Statement of Activities

A detailed schedule of adjustments to net position at June 30, 2018 is as follows:

| Description | Amount |
|--|-------------------|
| Change in fair-value of investments | \$ (40,611) |
| Accrued interest receivable | 10,055 |
| Property assessments receivable | (85,225) |
| Grant receivable | 48,815 |
| Deposits with Vector Control Joint Powers Agency (VCJPA) | 97,259 |
| Deferred amounts related to net OPEB obligation | 12,820 |
| Deferred amounts related to net pension liability | 372,433 |
| Total prior period adjustment to net position | \$ 415,546 |

| Description | Amount |
|--|---------------------|
| Net position – June 30, 2018, as previously stated | \$ 5,826,783 |
| Total prior period adjustment to net position | 415,546 |
| Net position – June 30, 2018, as restated | \$ 6,242,329 |

The District applied the above noted prior period adjustments to the June 30, 2018 government-wide financial statements for restatement and preparation on a comparative basis on the statement of net position and statement of activities.

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

A detailed schedule of adjustments to fund balance at June 30, 2018 is as follows:

| Description | Amount |
|--|-------------------|
| Change in fair-value of investments | \$ (40,611) |
| Accrued interest receivable | 10,055 |
| Property assessments receivable | (85,225) |
| Grant receivable | 48,815 |
| Deposits with Vector Control Joint Powers Agency (VCJPA) | 97,259 |
| Deferred tax revenue | 123,480 |
| Under-recognition of revenue in previous years | 118,584 |
| Total prior period adjustment to fund balance | \$ 272,357 |

| Description | Amount |
|--|---------------------|
| Fund balance – June 30, 2018, as previously stated | \$ 4,595,728 |
| Total prior period adjustment to fund balance | 272,357 |
| Fund balance – June 30, 2018, as restated | \$ 4,868,085 |

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT

Notes to Financial Statements

Years Ended June 30, 2019

NOTE 12 - PRIOR PERIOD ADJUSTMENTS (continued)

The District applied the above noted prior period adjustments to the June 30, 2018 governmental fund financial statements for restatement.

NOTE 13 - 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.

NOTE 14 - 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 Authority (VCJPA) participates in self-insured pools to manage the potential liabilities that may occur from the previously named sources.

The District participates 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 (optional insurance policy)
- Group fidelity (optional insurance policy)

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 has the right to receive dividends, if declared by the Board of Directors for a program year in which the District participated, and the obligation to pay assessments based on a formula which, among other expenses, charges the District's account for liability losses under \$10,000 and worker's compensation losses under \$25,000. The VCJPA participates in an excess pool which provides general liability coverage from \$1,000,000 to \$29,000,000 and in an excess pool which provides worker's compensation coverage over \$500,000 to \$5,000,000 and purchases excess insurance above \$5,000,000 up to the statutory limit. The VCJPA can be contacted directly for additional financial information.

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT*Notes to Financial Statements**Years Ended June 30, 2019*

NOTE 14 – 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 year ended June 30, 2019. 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, 2019.

NOTE 15 – 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

The District is involved in routine litigation incidental to its business and may be subject to claims and litigation from outside parties. After consultation with legal counsel, management believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

Required Supplementary Information

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2019

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|-----------------------------------|-------------------------|---------------------|---|
| Revenues: | | | |
| Charges for services: | | | |
| Property assessments | \$ 4,576,613 | \$ 4,576,291 | \$ (322) |
| Penalties and fees on assessments | - | 13,738 | 13,738 |
| Investment earnings | 35,350 | 126,389 | 91,039 |
| Other revenues | - | 6,265 | 6,265 |
| Total revenues | <u>4,611,963</u> | <u>4,722,683</u> | <u>110,720</u> |
| Expenditures: | | | |
| Current: | | | |
| Salaries and wages | 2,906,640 | 2,385,753 | 520,887 |
| Employee benefits | 553,145 | 766,603 | (213,458) |
| Materials and services | 877,809 | 825,973 | 51,836 |
| Insurance | 193,519 | 188,524 | 4,995 |
| Capital outlay | 263,000 | 202,300 | 60,700 |
| Debt service: | | | |
| Principal | 40,000 | 64,546 | (24,546) |
| Interest | 33,800 | 33,752 | 48 |
| Total expenditures | <u>4,867,913</u> | <u>4,467,451</u> | <u>400,462</u> |
| Net change in fund balance | <u>\$ (255,950)</u> | <u>\$ 255,232</u> | <u>\$ (289,742)</u> |
| Fund balance: | | | |
| Beginning of year | | <u>4,868,085</u> | |
| End of year | | <u>\$ 5,123,317</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.

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2019

| | Last Ten Fiscal Years | | | | |
|---|--|---|---|---|---|
| | California Public Employees' Retirement System (CalPERS) Miscellaneous Plan | | | | |
| Measurement Date: | <u>June 30, 2018¹</u> | <u>June 30, 2017¹</u> | <u>June 30, 2016¹</u> | <u>June 30, 2015¹</u> | <u>June 30, 2014¹</u> |
| District's Proportion of the Net Pension Liability | 0.018285% | 0.018369% | 0.017732% | 0.017324% | 0.018740% |
| District's Proportionate Share of the Net Pension Liability | \$ 1,761,950 | \$ 1,821,729 | \$ 1,534,400 | \$ 1,189,096 | \$ 1,166,412 |
| District's Covered-Employee Payroll | \$ 2,227,488 | \$ 1,976,734 | \$ 1,931,831 | \$ 1,742,656 | \$ 1,533,370 |
| District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll | <u>79.10%</u> | <u>92.16%</u> | <u>79.43%</u> | <u>68.23%</u> | <u>76.07%</u> |
| Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability | <u>79.55%</u> | <u>76.55%</u> | <u>76.23%</u> | <u>80.19%</u> | <u>80.18%</u> |

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

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT
Schedule of the Contributions to the Pension Plan
For the Fiscal Year Ended June 30, 2019

| Last Ten Fiscal Years | | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| California Public Employees' Retirement System (CalPERS) Miscellaneous Plan | | | | | | |
| Fiscal Year: | 2018-19 ¹ | 2017-18 ¹ | 2016-17 ¹ | 2015-16 ¹ | 2014-15 ¹ | 2013-14 ¹ |
| Actuarially Determined Contribution ² | \$ 277,852 | \$ 248,384 | \$ 231,319 | \$ 205,245 | \$ 178,455 | \$ 167,417 |
| Contribution in Relation to the Actuarially Determined Contribution ² | <u>(277,852)</u> | <u>(248,384)</u> | <u>(231,319)</u> | <u>(205,245)</u> | <u>(178,455)</u> | <u>(167,417)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's Covered-Employee Payroll ³ | <u>\$ 2,319,706</u> | <u>\$ 2,227,488</u> | <u>\$ 1,976,734</u> | <u>\$ 1,931,831</u> | <u>\$ 1,742,656</u> | <u>\$ 1,533,370</u> |
| Contributions as a Percentage of Covered-Employee Payroll | <u>11.98%</u> | <u>11.15%</u> | <u>11.70%</u> | <u>10.62%</u> | <u>10.24%</u> | <u>10.92%</u> |

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

² Employers are assumed to make contributions equal to the actuarially determined contributions (which is the actuarially determined contribution). However, some employers may choose to make additional contributions towards their side-fund or their unfunded liability. Employer contributions for such plan exceed the actuarial determined contributions. CalPERS has determined that employer obligations referred to as *side-funds* are not considered separately financed specific liabilities.

³ Covered-Employee Payroll represented above is based on pensionable earnings provided by the employer. However, GASB No. 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.

Notes to the Schedule:

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after June 30, 2013 as they have minimal cost impact. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes)

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT
Schedule of Changes in the Net OPEB Liability and Related Ratios
For the Fiscal Year Ended June 30, 2019

| Fiscal Year - Measurement Date | 2018 | 2017 |
|--|---------------------|---------------------|
| Total OPEB liability | | |
| Service cost | \$ 53,488 | \$ 50,663 |
| Interest | 42,656 | 37,599 |
| Differences between expected and actual experience | 39,668 | - |
| Benefit payments | <u>(12,820)</u> | <u>(12,327)</u> |
| Net change in total OPEB liability | 122,992 | 75,935 |
| Total OPEB liability - beginning | 635,913 | 559,978 |
| Total OPEB liability - ending | <u>\$ 758,905</u> | <u>\$ 635,913</u> |
| | | |
| Plan fiduciary net position | | |
| Contributions - employer | \$ 12,820 | \$ 62,327 |
| Net difference in earnings | (1,989) | - |
| Net investment income | 40,790 | 40,075 |
| Benefit payments | (12,820) | (12,327) |
| Administrative expense | <u>(1,007)</u> | <u>(480)</u> |
| Net change in plan fiduciary net position | 37,794 | 89,595 |
| Plan fiduciary net position - beginning | 628,113 | 538,518 |
| Plan fiduciary net position - ending | <u>\$ 665,907</u> | <u>\$ 628,113</u> |
| | | |
| District's net OPEB liability | <u>\$ 92,998</u> | <u>\$ 7,800</u> |
| | | |
| Plan fiduciary net position as a percentage of the total OPEB liability | <u>87.75%</u> | <u>98.77%</u> |
| | | |
| Covered-employee payroll | <u>\$ 2,227,488</u> | <u>\$ 1,976,734</u> |
| | | |
| District's net OPEB liability as a percentage of covered-employee payroll | <u>4.18%</u> | <u>0.39%</u> |

This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

SAN GABRIEL VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT*Notes to the Required Supplementary Information**For the Fiscal Year Ended June 30, 2019*

NOTES TO SCHEDULE**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.

Schedule of Proportionate Share of the Net Pension Liability

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportionate share (amount) of the collective net pension liability
- The employer's covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll
- The pension plan's fiduciary net position as a percentage of the total pension liability

Schedule of the Contributions to the Pension Plan

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule is required by GASB Statement No. 75 and is required for all employers in a cost-sharing OPEB plan. The schedule reports the following information:

- The employer's proportion (percentage) of the collective net OPEB liability
- The employer's proportionate share (amount) of the collective net OPEB liability
- The employer's covered-employee payroll
- The employer's proportionate share (amount) of the collective net OPEB liability as a percentage of the employer's covered-employee payroll
- The OPEB plan's fiduciary net position as a percentage of the total OPEB liability.

Other Independent Auditors' Report



INDEPENDENT AUDITORS' 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
San Gabriel Valley Mosquito and Vector Control District
West Covina, 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 San Gabriel Valley Mosquito and Vector Control District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise San Gabriel Valley Mosquito and Vector Control District's basic financial statements, and have issued our report thereon dated November 1, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered San Gabriel Valley Mosquito and Vector Control 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 San Gabriel Valley Mosquito and Vector Control District's internal control. Accordingly, we do not express an opinion on the effectiveness of the San Gabriel Valley Mosquito and Vector Control 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 District'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 San Gabriel Valley Mosquito and Vector Control District's financial statements are free of 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Murrieta, California
November 1, 2019