

**CONTRA COSTA MOSQUITO AND
VECTOR CONTROL DISTRICT
CONCORD, CALIFORNIA**

BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2014

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**CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2014**

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**CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
ELECTED OFFICIALS AND MANAGEMENT TEAM
JUNE 30, 2014**

BOARD OF TRUSTEES

Richard Ainsley
Soheila Bana
Jeff Bennett
Perry Carlston
Warren Clayton
Chris Cowen
Randall Diamond
Jim Fitzsimmons
Peggie Howell
Morris Jones
Michael Krieg
Richard H. Mank
Richard Means
Lola Odunlami
Daniel Pellegrini
Myrto Petreas
James Pinckney
Sharyn Rossi
Rolando Villareal
Diane Wolcott
Darryl Young

MANAGEMENT TEAM

Craig Downs, General Manager
Ray Waletzko, Assistant Manager

INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS

Board of Trustees
Contra Costa Mosquito and
Vector Control District
Concord, California

Report on Financial Statements

We have audited the basic financial statements of the governmental activities and the General Fund of the Contra Costa Mosquito and Vector Control District (District), as of and for the year ended June 30, 2014, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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. 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 the Contra Costa Mosquito and Vector Control District, as of June 30, 2014, and the respective changes in financial position thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended, in conformity 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 Management's Discussion and Analysis 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.

Maze & Associates

Pleasant Hill, California
October 27, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Contra Costa Mosquito and Vector Control District's (the District) basic financial statements presents management's overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2014. We encourage the reader to consider the information represented here in conjunction with the financial statements as a whole.

Introduction to the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's audited financial statements, which are comprised of the basic financial statements. This annual report is prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Decision and Analysis – for States and Local Governments*. The Single Governmental Program for Special Purpose Governments reporting model is used which best represents the activities of the District.

The required financial statements include the Combined Government-wide and Fund Financial statements; Statement of Net Position and Governmental Funds Balance Sheet; Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances; and the Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual-General Fund.

These statements are supported by notes to the financial statements. All sections must be considered together to obtain a complete understanding of the financial picture of the District.

The Basic Financial Statements

The Basic Financial Statements comprise the Combined Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the District's financial activities and financial position.

The Government-wide Financial Statements provide a longer-term view of the District's activities as a whole, and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the District as a whole, including all of its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all of the District's revenues and all of its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of the District's programs. The Statement of Activities explains in detail the change in Net Position for the year.

All of the District's activities are grouped into Government Activities, as explained below.

The Fund Financial Statements report the District's operations in more detail than the Government-wide statements and focus primarily on the short-term activities of the District's General Fund and other Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for the major financial activities of the District and are presented individually. Major Funds are explained below.

The Government-wide Financial Statements

Government-wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the District as a whole.

The Statement of Net Position and the Statement of Activities present information about the following:

Governmental Activities – The District’s basic services are considered to be governmental activities. These services are supported by general District revenues such as taxes, and by specific program revenues such as contract fees and charges.

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the District’s most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major funds summarized and presented only in a single column. Major Funds present the major activities of the District for the year, and may change from year to year as a result of changes in the pattern of the District’s activities.

With the implementation of Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, the District consolidated all of its funds (previously General, LAIF and VCJPA funds) into one fund, the General Fund, which is a major fund.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Comparisons of Budget and Actual financial information are presented for the General Fund as required by GASB 34.

Current Year Financial Highlights

The following are some of the key highlights for the period ending June 30, 2014.

As part of the State budget passed July 28, 2009, the State of California borrowed 8% of the District’s fiscal year 09/10 property tax revenue. Under the provisions of Proposition 1A the State of California was required to repay the District the funds borrowed plus 2% interest by June 30, 2013. The District received \$324,824 from the State of California and it was deposited in the District bank account in July of 2013. This is recognized as a one-time tax revenue on the General Fund’s statement of revenues, expenditures and changes in fund balances.

The District’s total fund revenue for fiscal year 2013/2014 was \$6,278,642, which was an increase of \$477,456 or 8% from the previous fiscal year. However, if you subtract the one time reimbursement of \$324,842 in borrowed property taxes from the State of California that the District received this fiscal year, District revenues were up approximately 3% from the previous year, primarily due to an increase in property taxes received and contract billings related to additional treatments for contracted agencies.

On July 8, 2013, the District Board of Trustees adopted a fiscal year 13/14 budget with a General Fund deficit of \$466,017. However, final expenditures came in at 4% lower than the adopted budget, primarily due to a decrease in professional special services expenditures. Revenues were approximately 2% higher than projected, primarily due to an increase in property taxes and contract billings, offset with a decrease in other revenues related to a retrospective adjustment in the District's account with VCJPA. The District finished the fiscal year with a Net Change in Fund Balance of a negative \$62,354.

The District established an irrevocable trust for other post employment benefits (OPEB) in fiscal year 2010/2011 and in accordance with the Board of Trustees' direction, the District has been contributing \$200,000 annually toward that trust. On July 1, 2011, the Unfunded Actuarial Liability as Percentage of Covered Payroll was 79.35%. On July 1, 2014, the actuarial valuation of assets in the OPEB trust was \$1,212,304 and the unfunded liability amount was 26.77%. The District has a Net OPEB Asset on the Statement of Net Position of \$136,556.

Capital Assets

Total Capital Assets (net of Accumulated Depreciation) were recorded at approximately \$1.8 million. See Note 4 in the accompanying financial statements for more information of current year activity.

Requests for Information

This financial report is designed to provide, citizens, customers, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need any additional information, contact the District at (925) 685-9301.

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

| | Governmental Activities |
|---|----------------------------|
| ASSETS | |
| Current assets: | |
| Cash and investments (Note 3) | \$6,307,707 |
| Deposit with VCJPA (Notes 3 and 8) | 838,606 |
| Accounts receivable | 34,081 |
| Interest receivable | 8,063 |
| Prepaid retirement expense (Note 6C) | 16,199 |
| Total current assets | 7,204,656 |
| Non current assets: | |
| Capital assets, nondepreciable (Note 4) | 778,640 |
| Capital assets, depreciable, net of accumulated depreciation (Note 4) | 1,053,724 |
| Net OPEB asset (Note 7) | 136,556 |
| Total non current assets | 1,968,920 |
| Total Assets | 9,173,576 |
| LIABILITIES | |
| Current liabilities: | |
| Accounts payable | 12,004 |
| Compensated absences (Note 2E) | 295,902 |
| Total Liabilities | 307,906 |
| NET POSITION (Note 5) | |
| Net investment in capital assets | 1,832,364 |
| Unrestricted | 7,033,306 |
| Total Net Position | \$8,865,670 |

See accompanying notes to financial statements

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

| Functions/Programs | Expenses | Program Revenues Charges for Services | Net (Expense) Revenue and Change in Net Position Governmental Activities |
|----------------------------------|-------------|---|---|
| Governmental Activities: | | | |
| District operations | \$6,463,010 | \$83,797 | (\$6,379,213) |
| Total Governmental Activities | \$6,463,010 | \$83,797 | (6,379,213) |
| General revenues: | | | |
| Property taxes (Note 2C) | | | 3,823,276 |
| Benefit assessments | | | 1,994,277 |
| Medical insurance reimbursements | | | 22,530 |
| Interest | | | 24,498 |
| Sale of capital assets | | | 16,400 |
| Miscellaneous | | | 5,422 |
| Total General Revenues | | | 5,886,403 |
| Change in Net Position | | | (492,810) |
| Net Position - Beginning | | | 9,358,480 |
| Net Position - Ending | | | \$8,865,670 |

See accompanying notes to financial statements

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
 GOVERNMENTAL FUND - GENERAL FUND
 BALANCE SHEET
 JUNE 30, 2014

ASSETS

| | |
|--------------------------------------|---------------------------|
| Cash and investments (Note 3) | \$6,307,707 |
| Deposit with VCJPA (Notes 3 and 8) | 838,606 |
| Accounts receivable | 34,081 |
| Interest receivable | 8,063 |
| Prepaid retirement expense (Note 6C) | <u>16,199</u> |
| Total Assets | <u><u>\$7,204,656</u></u> |

LIABILITIES

| | |
|-------------------|-----------------|
| Accounts payable | <u>\$12,004</u> |
| Total Liabilities | <u>12,004</u> |

FUND BALANCES (Note 5)

| | |
|-------------------------------------|---------------------------|
| Committed for: | |
| Africanized Honey Bee | 165,000 |
| Emerging Disease Surveillance | 1,500,000 |
| Building Fund | 1,222,584 |
| Public Health Emergency | 1,000,000 |
| Unassigned | <u>3,305,068</u> |
| Total Fund Balances | <u>7,192,652</u> |
| Total Liabilities and Fund Balances | <u><u>\$7,204,656</u></u> |

See accompanying notes to financial statements

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
 Reconciliation of the
 GOVERNMENTAL FUNDS -- BALANCE SHEET
 with the
 STATEMENT OF NET POSITION
 JUNE 30, 2014

| | |
|---|---------------------------|
| Total fund balances reported on the governmental funds balance sheet | \$7,192,652 |
| Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following: | |
| CAPITAL ASSETS | |
| Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds. | 1,832,364 |
| LONG TERM ASSETS AND LIABILITIES | |
| The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds: | |
| Non-current portion of compensated absences | (295,902) |
| Net OPEB asset | <u>136,556</u> |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | <u><u>\$8,865,670</u></u> |

See accompanying notes to financial statements

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
 GOVERNMENTAL FUND - GENERAL FUND
 STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2014

| | |
|--|---------------------------|
| REVENUES | |
| Property taxes (Note 2C) | \$3,823,276 |
| Property tax shift reimbursement | 324,842 |
| Benefit assessment | 1,994,277 |
| Contract billing | 83,797 |
| Medical insurance reimbursements | 22,530 |
| Interest income | 24,498 |
| Other | <u>5,422</u> |
| Total Revenues | <u>6,278,642</u> |
| EXPENDITURES | |
| Salaries | 2,818,044 |
| Fringe benefits | 1,973,146 |
| Other post employment benefits (OPEB) contributions (Note 7) | 200,000 |
| Agriculture | 191,211 |
| Clothing/personal supplies | 17,967 |
| Communications | 18,368 |
| Household expenses | 18,027 |
| Insurance | 231,999 |
| Equipment maintenance | 34,808 |
| Building maintenance | 14,295 |
| Lab supplies | 36,638 |
| Professional memberships | 21,140 |
| Office expense | 25,062 |
| Professional special services | 94,905 |
| Publications and legal notices | 50,646 |
| Small tools | 2,927 |
| District special expense | 20,230 |
| Transportation/travel | 107,848 |
| Utilities | 31,920 |
| Research projects | 25,000 |
| Taxes and assessments | 333,779 |
| Rents and leases | 100 |
| Capital outlay | <u>89,336</u> |
| Total Expenditures | <u>6,357,396</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(78,754)</u> |
| OTHER FINANCING SOURCES (USES) | |
| Proceeds from sale of capital assets | <u>16,400</u> |
| Total financing sources (uses) | <u>16,400</u> |
| NET CHANGE IN FUND BALANCES | (62,354) |
| BEGINNING FUND BALANCES | <u>7,255,006</u> |
| ENDING FUND BALANCES | <u><u>\$7,192,652</u></u> |

See accompanying notes to financial statements

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT

Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (\$62,354)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Purchase of capital assets 21,391
Depreciation expense is deducted from fund balance (223,369)

CURRENT ITEMS

The amount below included in the Governmental Funds is recognized as tax revenue in the year the tax revenue is received which is fiscal year ended June 30, 2014. However, the tax revenue was recognized in the Statement of Activities in the year the tax was levied which was fiscal year ended June 30, 2010.

Proposition 1A tax revenue (324,842)

NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Compensated absences (10,098)
Salary and benefit expenses related to OPEB 106,462

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (\$492,810)

See accompanying notes to financial statements

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

| | Original & Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|-------------------------------|--------------------|---|
| REVENUES | | | |
| Property taxes | \$3,699,794 | \$3,823,276 | \$123,482 |
| Property tax shift reimbursement | 344,500 | 324,842 | (19,658) |
| Benefit assessment | 1,995,302 | 1,994,277 | (1,025) |
| Contract billing | 40,000 | 83,797 | 43,797 |
| Medical insurance reimbursements | 20,787 | 22,530 | 1,743 |
| Interest income | 18,000 | 24,498 | 6,498 |
| Other | 70,000 | 5,422 | (64,578) |
| Total Revenues | 6,188,383 | 6,278,642 | 90,259 |
| EXPENDITURES | | | |
| Salaries | 2,894,452 | 2,818,044 | 76,408 |
| Fringe benefits | 1,981,795 | 1,973,146 | 8,649 |
| Other post employment benefits (OPEB) contributions | 200,000 | 200,000 | |
| Agriculture | 200,000 | 191,211 | 8,789 |
| Clothing/personal supplies | 22,675 | 17,967 | 4,708 |
| Communications | 18,820 | 18,368 | 452 |
| Household expenses | 20,700 | 18,027 | 2,673 |
| Insurance | 237,680 | 231,999 | 5,681 |
| Equipment maintenance | 38,300 | 34,808 | 3,492 |
| Building maintenance | 23,150 | 14,295 | 8,855 |
| Lab supplies | 34,500 | 36,638 | (2,138) |
| Professional memberships | 21,000 | 21,140 | (140) |
| Office expense | 30,040 | 25,062 | 4,978 |
| Professional special services | 209,676 | 94,905 | 114,771 |
| Publications and legal notices | 55,115 | 50,646 | 4,469 |
| Small tools | 8,400 | 2,927 | 5,473 |
| District special expense | 28,250 | 20,230 | 8,020 |
| Transportation/travel | 140,770 | 107,848 | 32,922 |
| Utilities | 31,000 | 31,920 | (920) |
| Research projects | 25,000 | 25,000 | |
| Taxes and assessments | 337,000 | 333,779 | 3,221 |
| Rental and leases | 6,500 | 100 | 6,400 |
| Capital outlay | 89,577 | 89,336 | 241 |
| Total Expenditures | 6,654,400 | 6,357,396 | 297,004 |
| OTHER FINANCING SOURCES (USES) | | | |
| Proceeds from sale of capital assets | | 16,400 | 16,400 |
| Total Financing Sources (Uses) | | 16,400 | 16,400 |
| NET CHANGE IN FUND BALANCES | (\$466,017) | (62,354) | \$403,663 |
| BEGINNING FUND BALANCE | | 7,255,006 | |
| ENDING FUND BALANCE | | \$7,192,652 | |

See accompanying notes to financial statements

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

NOTE 1 - GENERAL

The Contra Costa Mosquito Abatement District was formed in 1926 and began operations on April 15, 1927. The original district, comprised of approximately 61 square miles, then annexed and merged with other districts to become the county-wide Contra Costa Mosquito Abatement District, effective July 1, 1986. Effective July 1, 1993, Contra Costa County's Vector Control program was merged into Contra Costa Mosquito Abatement District, forming the Contra Costa Mosquito and Vector Control District (the District).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform with accounting principles generally accepted in the United States of America and are applicable to governments. The following is a summary of the significant policies.

A. Basis of Presentation

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

These Statements require that the financial statements described below be presented.

Government-wide Financial Statements: The District's financial statements reflect only its own activities; it has no component units (other government units overseen by the District). The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Statements: Fund Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. General fund operations are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues, and expenditures (or expenses) as appropriate. The District's resources are accounted for based on the purposes for which they are to be spent and the means by which spending activities are controlled. An emphasis is placed on major funds, each of which is displayed in a separate column. The District has elected to show each of its funds as a major fund.

The District reported the following major governmental fund in the accompanying financial statements:

Governmental Funds:

General Fund – The General Fund is the general operating fund of the District. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. *Basis of Accounting*

The government-wide, financial statements are reported using the *economic resources measurement focus* and the full *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.

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.” The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. 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. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are property, certain charges for services, and interest revenue.

Non-exchange transactions, in which the District gives or receives value without directly, receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The District may fund programs with a combination of cost-reimbursement grants, categorically block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The District’s policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

C. *Property Taxes*

Property Tax Levy, Collection and Maximum Rates – The State of California (State) Constitution Article XIII (A) provides that the combined maximum property tax rate on any given property may not exceed one percent of its assessed value when an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100 percent of market value as define by Article XIII (A) and may be adjusted by no more than two percent per year unless the property is sold or transferred. The State Legislature has determined the method of distribution of receipts from a one percent tax levy to the counties, cities, school districts and other districts.

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The County of Contra Costa is responsible for assessing, collecting and apportioning property taxes for the District. Taxes are levied for each fiscal year on taxable real and personal property situated in the District. The levy is based on the assessed values as of the preceding January 1st, which is also the lien date. State code requires tax rates to be set no later than the first workday in September unless the County of Contra Costa Board of Supervisors elects to extend the deadline to October 3rd. Property taxes on the secured roll are due in two installments: November 1st and February 1st and become delinquent after December 10th and April 10th, respectively. Supplemental property taxes are levied based on changes in assessed values between the date of real property sales or construction and the preceding assessment date. The additional supplemental property taxes are prorated from the first day of the month following the date of such occurrence. Property taxes on the unsecured roll are due in the lien date (January 1st), and become delinquent if unpaid by August 31st.

D. *Budgets and Budgetary Accounting*

The District follows the procedures established by the State of California for special districts in establishing the budgetary data reflected in the financial statements.

During the year, the General Fund was the only fund for which a budget was required. The budget was prepared on the cash basis. Differences between the cash basis budget and the modified accrual financial records are not considered to be material.

E. *Accumulated Compensated Absences*

Compensated absences are comprised of unpaid vacation. Vacation is accrued as earned and sick leave is not accrued since it does not vest. The General Fund has been used to liquidate compensated absences.

F. *Use of Estimates*

The Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those amounts.

G. *Deferred Outflows/Inflows of Resources*

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

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

NOTE 3 - CASH AND INVESTMENTS

A. Policies

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the District's name and places the District ahead of general creditors of the institution.

The District's investments are carried at fair value, as required by generally accepted accounting principles. The District adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

The District's cash and investments consist of the following at June 30, 2014:

| | |
|--------------------------------------|-------------|
| Cash in banks | \$63,381 |
| Carrying value of investments: | |
| Local Agency Investment Fund | 6,244,326 |
| Deposits with Joint Powers Authority | 838,606 |
| Total cash and investments | \$7,146,313 |

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

NOTE 3 - CASH AND INVESTMENTS (Continued)

B. Investments Authorized by the California Government Code and the District's Investment Policy

The District's Investment Policy and the California Government Code allow the District to invest in the following, provided the credit ratings of the issuers are acceptable to the District, and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the District's Investment Policy where the District's Investment Policy is more restrictive.

| Authorized Investment Type | Maximum Maturity | Minimum Credit Quality | Maximum Percentage of Portfolio | Maximum Investment In One Issuer |
|---------------------------------------|------------------|------------------------|---------------------------------|----------------------------------|
| Local Agency Investment Fund | Upon Demand | N/A | None | 100% |
| Interest Bearing Checking Account | N/A | N/A | None | 100% |
| United States Treasury Money Market | N/A | N/A | None | 10% |
| Certificates of Deposit | 5 years | IUQCI* of 85 | None | \$100,000 |
| U.S. Treasury Bills and Notes | 5 years | N/A | None | 100% |
| U.S. Government and Agency Securities | 5 years | N/A | None | 100% |
| Bankers Acceptances | 180 days | Moody's A | 40% | 30% |
| Commercial Paper | 180 days | Moody's A | 15% | 10% |
| Repurchase Agreements | 30 days | N/A | 20% | 100% |
| Medium Term Notes | 5 years | Moody's AA | 30% | 10% |
| Negotiable Certificates of Deposit | 2 years | Moody's A+ | 30% | 10% |

*Irwin Union Quality Code Index

As of June 30, 2014, the District's only investments are held in the Local Agency Investment Fund (LAIF), which is in compliance with the District's investment policy.

C. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity is of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District generally manages its interest rate risk by holding investments to maturity.

All of the District's investments mature in less than twelve months.

The District is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are maintained on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2014, these investments matured in an average of 232 days.

**CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

NOTE 3 - CASH AND INVESTMENTS (Continued)

D. 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. None of the District's investments are subject to credit ratings.

NOTE 4 - CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. Total depreciation expense for the year was \$223,369 which is entirely allocated to the District Operations function. The District has assigned the useful lives listed below to capital assets:

| | |
|-------------------------------------|--------------|
| Buildings | 30 years |
| Landscaping | 10 years |
| Vehicles, trailers and boats | 8 years |
| Field and operations equipment | 8 - 10 years |
| Office and administrative equipment | 3-20 years |
| Office furniture | 10 years |
| Solar panels | 25 years |
| Solar inverter | 10 years |

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

NOTE 4 – CAPITAL ASSETS (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Capital assets with a value of \$5,000 or more and with a useful life of one year or more are capitalized.

Capital assets at June 30 comprise the following:

| | Balance June 30, 2013 | Additions | Retirements | Balance June 30, 2014 | NBV June 30, 2014 |
|--|--------------------------|--------------------|------------------|--------------------------|----------------------|
| <i>Governmental activities</i> | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$778,640 | | | \$778,640 | \$778,640 |
| Total capital assets not being depreciated | <u>778,640</u> | | | <u>778,640</u> | <u>\$778,640</u> |
| Capital assets being depreciated: | | | | | |
| Building | 3,863,180 | | (\$8,148) | 3,855,032 | \$564,183 |
| Landscaping | 26,226 | | | 26,226 | |
| Vehicles, trailers and boats | 920,232 | \$21,391 | (246,296) | 695,327 | 129,236 |
| Field and operations equipment | 208,781 | | (81,070) | 127,711 | 13,483 |
| Office and admin equipment | 37,681 | | (10,900) | 26,781 | 6,956 |
| Office furniture | 78,869 | | | 78,869 | |
| Solar panels | 410,340 | | | 410,340 | 313,295 |
| Solar inverter | 65,000 | | | 65,000 | 26,571 |
| Total capital assets being depreciated | <u>5,610,309</u> | <u>21,391</u> | <u>(346,414)</u> | <u>5,285,286</u> | <u>\$1,053,724</u> |
| Less accumulated depreciation for: | | | | | |
| Building | (3,170,222) | (128,775) | 8,148 | (3,290,849) | |
| Landscaping | (26,226) | | | (26,226) | |
| Vehicles, trailers and boats | (753,251) | (59,136) | 246,296 | (566,091) | |
| Field and operations equipment | (186,634) | (8,664) | 81,070 | (114,228) | |
| Office and admin equipment | (26,782) | (3,943) | 10,900 | (19,825) | |
| Office furniture | (78,869) | | | (78,869) | |
| Solar panels | (80,676) | (16,369) | | (97,045) | |
| Solar inverter | (31,947) | (6,482) | | (38,429) | |
| Total accumulated depreciation | <u>(4,354,607)</u> | <u>(223,369)</u> | <u>346,414</u> | <u>(4,231,562)</u> | |
| Total depreciable assets | <u>1,255,702</u> | <u>(\$201,978)</u> | | <u>1,053,724</u> | |
| Total capital assets | <u>\$2,034,342</u> | | | <u>\$1,832,364</u> | |

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

NOTE 5 – FUND BALANCES AND NET POSITION

A. Net Position

Net Position is the excess of all the District's assets and deferred outflows over all its liabilities, deferred inflows, regardless of fund. Net Position is divided into two captions. These captions apply only to Net Position, which is determined only at the District-wide level, and are described below:

Net investment in Capital Assets describes the portion of Net Position which is represented by the current net book value of the District's capital assets.

Unrestricted describes the portion of Net Position which is not restricted to use.

B. Fund Balance

The District's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the District to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the District prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendables represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for redevelopment are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the Board of Trustees which may be altered only by formal action of the Board of Trustees. Encumbrances and nonspendable amounts subject to Board commitments are included along with spendable resources.

Assigned fund balances are amounts constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. Intent is expressed by the Board of Trustees or its designee and may be changed at the discretion of the Board of Trustees or its designee. This category includes encumbrances, nonspendables, when it is the District's intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of Special Revenue, Capital Projects and Debt Service Funds which have not been restricted or committed.

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

NOTE 5 – FUND BALANCES AND NET POSITION (Continued)

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

NOTE 6 - PENSION PLAN

A. General Plan

The District participates in the Contra Costa County Employees' Retirement Association (CCCERA), a cost-sharing multiple employer defined benefit pension plan. CCCERA is governed by the Board of Retirement (Board) under the County Employee's Retirement Law of 1937, as amended on July 1, 1945. It provides benefits upon retirement, death or disability of members, and covers substantially all of the employees of the County of Contra Costa and eighteen other member agencies.

Benefits are based on years of credited service, equal to one year of full time employment. Members may elect service retirement at age of 50 with 10 years of service credit, age 70 regardless of service, or with thirty years of service, regardless of age.

Benefits are administered by the Board under the provision of the 1937 Act. Annual cost-of-living adjustments (COLA) to retirement benefits may be granted by the Board as provided by State statutes. Services retirements are based on age, length of service and final average salary. Employees may withdraw contributions, plus interest credited, or leave them on deposit for a deferred retirement when they terminate or transfer to a reciprocal retirement system.

B. Actuarial Assumptions

As of December 31, 2012, CCCERA's last actuarial valuation date, the following assumptions were used:

CCCERA determines contribution requirements using the Entry Age Normal Method. Normal benefit cost under this method is the level amount the District must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities (UAAL). The actuarial assumptions used to compute contribution requirements are also used to compute the actuarial accrued liability. The remaining balance of the UAAL at December 31, 2012 is amortized over a fixed (decreasing or closed) period of 10 years remaining as of December 31, 2012. Any changes in the UAAL after December 31, 2007 will be separately amortized over a fixed 18-year period effective with that valuation. The District does not have a net pension obligation since it pays these actuarially required contributions monthly.

CCCERA uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.25% is assumed, including inflation at 3.25%. Annual salary increases are assumed to vary by duration of service, ranging from 4.75% to 13.50%. Cost of living adjustments are assumed at 3% per year for substantially all District employees.

**CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

NOTE 6 - PENSION PLAN (Continued)

C. Contributions

Employer and employee contributions and COLA contributions are based on statute and rates recommended by an independent actuary and adopted by the Retirement Board. The rates are set to provide a retirement benefit equal to a fractional part of the highest year(s) salary, based on membership and tier. The District must contribute these amounts.

Government Code Section 31582(b) allows the Board of Supervisors to authorize the County auditor to make an advance payment of all or part of the County's estimated annual contribution to the retirement fund. Code Section 31585 makes the same appropriations and transfers available to Districts. Contra Costa County and 13 participating employers, including the District, "prepay" or make advance payments of all the employer's estimated annual contributions discounted by the assumed interest rate in effect on July 1. This provides for a discounted factor of 1.034 to the District. At the end of the fiscal year, a "true-up" is completed and employers are either billed for an underpayment or apply their overpayment towards the following year contributions. For fiscal year ending June 30, 2014, the District's overpayment was \$16,199 which is being applied toward the fiscal year 2014-2015 contribution.

Required employer contributions for the last three years ended June 30 were as follows:

| <u>June 30</u> | <u>Annual Pension Cost (APC)</u> | <u>Actual Contribution</u> | <u>Percentage of APC Contributed</u> | <u>Employer's Contribution Rate *</u> |
|----------------|--|--------------------------------|--|---|
| 2014 | \$1,114,504 | \$1,114,504 | 100% | 19.03%-28.55% |
| 2013 | 1,009,998 | 1,009,998 | 100% | 17.34%-26.00% |
| 2012 | 926,403 | 926,403 | 100% | 15.80%-23.71% |

* Contribution rates vary among different groups of employees

The employee contribution is based on the age at the time the individual enters the plan. Contributions for the last three years ending June 30, 2012, 2013 and 2014 were \$170,541, \$181,020, and \$203,656 respectively. Under the contract agreement with the employees, the District pays 35% of the employees' portion of the required contributions, excluding the cost of living contribution.

**CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

NOTE 6 - PENSION PLAN (Continued)

D. Schedule of Funding Progress

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. CCCERA's latest actuarial value and funding progress for the pool are shown below:

| Actuarial Valuation Date | Actuarial Asset Value (A) | Entry Age Actuarial Accrued Liability (B) | Unfunded (Overfunded) Actuarial Accrued Liability (B-A), (C) | Funded Ratio (A/B) | Covered Payroll (D) | Unfunded (Overfunded) Actuarial Accrued Liability as a Percentage of Covered Payroll (C/D) |
|-----------------------------|------------------------------|---|---|--------------------------|------------------------|--|
| 12/31/2010 | \$5,341,821,711 | \$6,654,036,801 | \$1,312,215,090 | 80.28% | \$687,443,206 | 190.88% |
| 12/31/2011 | 5,426,719,066 | 6,915,311,649 | 1,488,592,583 | 78.47% | 666,394,146 | 223.38% |
| 12/31/2012 | 5,482,257,062 | 7,761,315,535 | 2,279,058,473 | 70.64% | 652,312,180 | 349.38% |

Audited annual financial statements and ten-year trend information are available from CCCERA at 1355 Willow Way, Suite 221 Concord, CA 94520-5728.

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS

The District records its other postemployment benefits in accordance with the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits other than pensions (OPEB). Required disclosures are presented below.

A. Plan Description and Funding Policy

The District provides postretirement health care benefits to all employees, hired prior to July 1, 2007, who retire on or after attaining age 50 with a minimum of 5 years of public service. All eligible retirees can continue medical coverage with the plan provided for active employees. The District covers up to the lowest cost Health Maintenance Organization's plan available to retirees. The cost of the benefits provided by the Plan was being paid by the District on a pay-as-you-go basis until June 2011, when the District joined the Public Agencies Post-Retirement Health Care Plan, a multiple employer trust administered by the Public Agency Retirement Services (PARS).

At June 30, 2014, 10 retirees participated in the Plan.

**CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a July 1, 2014 actuarial valuation using the projected unit credit actuarial cost method. This is a projected benefit cost method under which the present value of benefits is apportioned into accrued liability and service cost. The actuarial assumptions included (a) 5.5% investment rate of return (based on a pay-as-you-go funding plan), (b) 5% ultimate trend rate, (c) 3% projected annual salary increase, and (d) health care cost trend rates from 5% to 7% or medical benefits. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least tri-annually as results are compared to past expectations and new estimates are made about the future. The District's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 30 year amortization period on an open basis.

C. Funding Progress and Funded Status

Generally accepted accounting principles permits contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2014, the District contributed \$200,000 to the PARS trust. As a result, the District has recorded a Net OPEB Asset, representing the difference between the ARC and the actual contributions, as presented below:

The District's Net OPEB Asset (NOA) is recorded in the Statement of Net Assets and is calculated as follows:

| | |
|--|---------------------------|
| Annual required contribution (ARC) | \$144,136 |
| Interest on Net OPEB Asset | (1,655) |
| Adjustments to ARC | <u>2,301</u> |
| | |
| Annual OPEB cost | 144,782 |
| Contributions made to PARS | (200,000) |
| District's portion of current year premiums paid | <u>(51,244)</u> |
| | |
| (Increase) in net OPEB asset | (106,462) |
| | |
| Net OPEB (asset) at June 30, 2013 | <u>(30,094)</u> |
| | |
| Net OPEB (asset) at June 30, 2014 | <u><u>(\$136,556)</u></u> |

The accrued liability (AL) representing the present value of future benefits, included in the actuarial study dated July 1, 2014, amounted to \$719,921.

**CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2014**

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

The Plan's annual required contributions and actual contributions for the last three fiscal years are set forth below:

| Fiscal Year | Annual OPEB Cost (AOC) | Actual Contribution | Percentage of AOC Contributed | Net OPEB Obligation Liability (Asset) |
|---------------|---------------------------|------------------------|-------------------------------------|--|
| June 30, 2012 | \$238,565 | \$244,096 | 102% | (\$12,969) |
| June 30, 2013 | 238,683 | 255,808 | 107% | (30,094) |
| June 30, 2014 | 144,782 | 251,244 | 174% | (136,556) |

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the most recent actuarial studies is presented below:

| Actuarial Valuation Date | Actuarial Value of Assets (A) | Entry Age Actuarial Accrued Liability (B) | Unfunded Actuarial Accrued Liability (A – B) | Funded Ratio (A/B) | Covered Payroll (C) | Unfunded Actuarial Liability as Percentage of Covered Payroll [(A – B)/C] |
|--------------------------------|--|---|--|--------------------------|---------------------------|--|
| 7/1/2008 | \$0 | \$2,062,383 | \$2,062,383 | 0.00% | \$2,599,152 | 79.35% |
| 7/1/2011 | 0 | 2,016,045 | 2,016,045 | 0.00% | 2,594,856 | 77.69% |
| 7/1/2014 | 1,212,304 | 1,932,225 | 719,921 | 62.74% | 2,689,632 | 26.77% |

NOTE 8 – RISK MANAGEMENT

The District participates with other public entities in a joint venture under a joint powers agreement which established the Vector Control Joint Powers Agency (VCJPA) which is a workers compensation and general liability risk pool. The relationship between the District and VCJPA is such that VCJPA is not a component unit of the District for financial reporting purposes. The District reports all of its risk management activities in its VCJPA Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Should there be a need for a retrospective adjustment due to adverse claim activity, the District may be assessed additional premiums.

The VCJPA is a consortium of thirty-four (34) mosquito abatement or vector control districts in the State of 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 four times per year, consisting of one member from each of the four regions as well as two trustees of the Mosquito and Vector Control Association of California (MVCAC). A risk management group employed by the VCJPA handles the day-to-day business.

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2014

NOTE 8 – RISK MANAGEMENT (Continued)

The following is a summary of the insurance policies in force carried by the Authority as of June 30, 2014:

| Type of Coverage | District Limits | District Deductibles |
|------------------------------------|--------------------|-------------------------|
| General Liability | \$14,000,000 | \$50,000 |
| Employment Practices | 2,000,000 | 25,000 |
| Workers' Compensation | Statutory | 50,000 |
| Boiler and Machinery | 100,000,000 | 2,500 |
| All-risk Property | 1,000,000,000 | 10,000 |
| Auto Physical Damage (per vehicle) | 35,000 | 500 |
| Business Travel Accident | 150,000 | none |
| Group Fidelity | 1,000,000 | 15,000 |

As defined by Government Accounting Standards Board (GASB) Statement 10, the Vector Control Joint Powers Agency is “a claims servicing or account pool.” VCJPA manages separate accounts for each pool member from whom losses and expenses of that member are paid, up to the retention limit. VCJPA purchases commercial excess insurance. The annual assessment of each member includes allocation for loss payments, expenses and excess insurance premiums.

Annually, VCJPA evaluates the assets of each pool member in comparison with expected future liabilities. The “financial risk position” of each member is determined by subtracting case reserves, claims incurred but not reported amounts and claim development from members’ deposit balances. If a negative risk position is found, a supplemental amount is added to the member’s annual assessment.

In accordance with GASB 10, the District has recorded its deposit with VCJPA as an asset at June 30, 2013. The District had no claims losses outstanding at June 30, 2013. Settled claims for the District have not exceeded coverage in any of the past three years.

The District has reserves of \$838,606 on deposit with VCJPA for member contingencies to cover the District’s self-insured retentions (SIR) for two claims in each type of coverage. The VCJPA has also purchased insurance to cover catastrophic losses.

Financial statements may be obtained from Vector Control Joint Powers Agency, 1831 K Street, Sacramento, California 95814.