

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

BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2012

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CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

INTRODUCTORY SECTION

Table of Contents i

Elected Officials and Management Team ii

FINANCIAL SECTION

Independent Auditors' Report..... 1

Management's Discussion and Analysis 3

Basic Financial Statements:

District-wide statements:

Statement of Net Assets 6

Statement of Activities 7

Fund financial statements:

Governmental Funds – Balance Sheet 8

Reconciliation of the Governmental Funds Balance Sheet
With the Statement of Net Assets 9

Governmental Funds – Statement of Revenues, Expenditures and
Changes in Fund Balances 10

Reconciliation of the Net Change in Fund Balances - Total Governmental Funds
With the Statement of Activities 11

Statement of Revenues, Expenditures, and Changes in Fund
Balance - Budget and Actual – General Fund 12

Notes to Basic Financial Statements 13

**CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
ELECTED OFFICIALS AND MANAGEMENT TEAM
JUNE 30, 2012**

BOARD OF TRUSTEES

Richard Ainsley
Soheila Bana
Jeff Bennett
Russ Belleci
Warren Clayton
Chris Cowen
Randall Diamond
Jim Fitzsimmons
Peggie Howell
Michael Krieg
Richard H. Mank
Richard Means
Angela Micheals
Daniel Pellegrini
Myrto Petreas
James Pinckney
Sharyn Rossi
Jose Saavedra
Rolando Villareal
Diane Wolcott

MANAGEMENT TEAM

Craig Downs, General Manager
Ray Waletzko, Administrative and Finance Manager

**INDEPENDENT AUDITORS' REPORT ON
BASIC FINANCIAL STATEMENTS**

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

We have audited the basic financial statements of the governmental activities and the major fund of the Contra Costa Mosquito and Vector Control District (District), as of and for the year ended June 30, 2012, as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly in all material respects the respective financial position of the governmental activities and the major fund of the Contra Costa Mosquito and Vector Control District, as of June 30, 2012, 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 generally accepted accounting principles in the United States of America.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and budgetary comparison information 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 this information in accordance with generally accepted auditing standards 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.

A handwritten signature in black ink that reads "Maze & Associates". The signature is written in a cursive, flowing style.

September 18, 2012

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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, 2012. 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 Assets 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 Assets and the Statement of Activities. The Statement of Net Assets 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 Assets 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 Assets 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.

Government-Wide Financial Highlights

The following are some of the key highlights for the period ending June 30, 2012.

1. On July 11, 2011, the District Board of Trustees adopted a fiscal year 11/12 budget with a general fund deficit of \$235,000 plus a \$200,000 contribution to the other post employment benefits (OPEB) trust. This \$435,000 deficit was mitigated by the timing of pesticide purchases, very little use of aviation services and a concerted effort by employees to reduce expenditures. The District closed the fiscal year with a deficit of approximately \$186,000.
2. The District’s FY 2011/2012 property tax revenue decreased approximately \$28,000 from FY 2010/2011. After previous year declines in excess of 10%, this small decline is a potential sign the property values in Contra Costa County, and therefore district revenues, have stabilized.

3. The State of California borrowed 8% of the District's F/Y 09/10 property tax revenue (\$324,842) as part of the State budget passed July 28, 2009. Under the provisions of Proposition 1A the State of California is required to repay the District the \$324,842 plus 2% interest by June 30, 2013. This borrowing is recognized as a receivable and is explained in more detail in Note 9 of the financial statements.
4. District reserves have been categorized in the annual financial statements in compliance with GASB 54. The District reserves reach their highest point at July 1st every fiscal year. The District uses reserves to support the operating cash flow of the District from July to December every year until a major portion of property taxes are received from the Contra Costa County Auditors office in mid December. In FY 11/12 the District expended \$3,281,000 from July 1st to December 15th. These funds were available, and no borrowing was needed, due to the reserves that are designated every year as "Unassigned" in the District balance sheet.

Capital Assets

Total Capital Assets (net of Accumulated Depreciation) were recorded at approximately \$2.2 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 ASSETS
JUNE 30, 2012

	Governmental Activities
ASSETS	
Cash and investments (Note 3)	\$6,666,983
Accounts receivable	12,054
Interest receivable	5,681
Prepaid retirement expense (Note 6)	24,751
Deposit with VCJPA (Notes 3 and 8)	860,855
Proposition 1A receivable (Note 9)	324,842
Capital assets, nondepreciable (Note 4)	778,640
Capital assets, depreciable, net of accumulated depreciation (Note 4)	1,441,505
Net OPEB asset (Note 7)	12,969
Total Assets	10,128,280
LIABILITIES	
Accounts payable	36,337
Compensated absences (Note 2E)	267,778
Total Liabilities	304,115
NET ASSETS (Note 5)	
Invested in capital assets	2,220,145
Unrestricted net assets	7,604,020
Total Net Assets	\$9,824,165

See accompanying notes to financial statements

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Change in Net Assets
			Governmental Activities
Governmental Activities:			
District operations	\$6,151,521	\$79,448	(\$6,072,073)
Total Governmental Activities	\$6,151,521	\$79,448	(6,072,073)
General revenues:			
Property taxes (Note 2C)			3,516,466
Benefit assessments			1,990,334
Medical insurance reimbursements			8,875
Interest			23,779
Sale of capital assets			18,850
Miscellaneous			60,014
Total General Revenues			5,618,318
Change in Net Assets			(453,755)
Net Assets - Beginning			10,277,920
Net Assets - Ending			\$9,824,165

See accompanying notes to financial statements

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
 GOVERNMENTAL FUND - GENERAL FUND
 BALANCE SHEET
 JUNE 30, 2012

ASSETS

Cash and investments (Note 3)	\$6,666,983
Accounts receivable	12,054
Interest receivable	5,681
Prepaid retirement expense (Note 6)	24,751
Deposit with VCJPA (Notes 3 and 8)	860,855
Proposition 1A receivable (Note 9)	<u>324,842</u>
 Total Assets	 <u><u>\$7,895,166</u></u>

LIABILITIES

Accounts payable	\$36,337
Deferred revenue (Note 9)	<u>324,842</u>
 Total Liabilities	 <u><u>361,179</u></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>3,646,403</u>
 Total Fund Balances	 <u><u>7,533,987</u></u>
 Total Liabilities and Fund Balances	 <u><u>\$7,895,166</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 ASSETS
 JUNE 30, 2012

Total fund balances reported on the governmental funds balance sheet	\$7,533,987
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Amounts reported for Governmental Activities in the Statement of Net Assets 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.	2,220,145
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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	(267,778)
Deferred revenue	324,842
Net OPEB asset	<u>12,969</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$9,824,165</u></u>
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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, 2012

REVENUES	
Property taxes (Note 2C)	\$3,516,466
Benefit assessment	1,990,334
Contract billing	79,448
Medical insurance reimbursements	8,875
Interest income	23,779
Other	<u>60,014</u>
Total Revenues	<u>5,678,916</u>
EXPENDITURES	
Salaries	2,718,237
Fringe benefits	1,747,993
Other post employment benefits (OPEB) contributions (Note 7)	200,000
Agriculture	123,647
Clothing/personal supplies	15,809
Communications	16,723
Household expenses	16,186
Insurance	232,572
Equipment maintenance	26,018
Building maintenance	14,463
Lab supplies	31,994
Professional memberships	19,866
Office expense	26,889
Professional special services	98,148
Publications and legal notices	49,491
Small tools	4,043
District special expense	18,153
Transportation/travel	102,908
Utilities	29,199
Research projects	25,000
Taxes and assessments	331,671
Rents and leases	
Capital outlay	<u>35,050</u>
Total Expenditures	<u>5,884,060</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(205,144)</u>
OTHER FINANCING SOURCES (USES)	
Proceeds from sale of capital assets	<u>18,850</u>
Total financing sources (uses)	<u>18,850</u>
NET CHANGE IN FUND BALANCES	(186,294)
BEGINNING FUND BALANCES	<u>7,720,281</u>
ENDING FUND BALANCES	<u><u>\$7,533,987</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, 2012

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 Assets 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	(\$186,294)
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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.

Loss on retirement of capital assets	(2,686)
Depreciation expense is deducted from fund balance	(257,613)

NON-CURRENT ITEMS

The amount below included in the Statement of Activities does 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	(12,693)
Salary and benefit expenses related to OPEB	<u>5,531</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>(\$453,755)</u></u>
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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, 2012

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$3,547,623	\$3,516,466	(\$31,157)
Benefit assessment	1,984,921	1,990,334	5,413
Contract billing	90,000	79,448	(10,552)
Medical insurance reimbursements	8,704	8,875	171
Interest income	45,000	23,779	(21,221)
Other	40,000	60,014	20,014
Total Revenues	5,716,248	5,678,916	(37,332)
EXPENDITURES			
Salaries	2,736,905	2,718,237	18,668
Fringe benefits	1,732,163	1,747,993	(15,830)
Other post employment benefits (OPEB) contributions		200,000	(200,000)
Agriculture	200,000	123,647	76,353
Clothing/personal supplies	26,875	15,809	11,066
Communications	18,500	16,723	1,777
Household expenses	19,500	16,186	3,314
Insurance	235,166	232,572	2,594
Equipment maintenance	38,300	26,018	12,282
Building maintenance	23,150	14,463	8,687
Lab supplies	34,500	31,994	2,506
Professional memberships	20,000	19,866	134
Office expense	34,800	26,889	7,911
Professional special services	165,510	98,148	67,362
Publications and legal notices	44,600	49,491	(4,891)
Small tools	8,400	4,043	4,357
District special expense	28,250	18,153	10,097
Transportation/travel	135,551	102,908	32,643
Utilities	31,000	29,199	1,801
Research projects	25,000	25,000	
Taxes and assessments	337,000	331,671	5,329
Rental and leases	6,500		6,500
Capital outlay	49,564	35,050	14,514
Total Expenditures	5,951,234	5,884,060	67,174
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets		18,850	18,850
Total Financing Sources (Uses)		18,850	18,850
NET CHANGE IN FUND BALANCES	(\$234,986)	(186,294)	\$48,692
BEGINNING FUND BALANCE		7,720,281	
ENDING FUND BALANCE		\$7,533,987	

See accompanying notes to financial statements

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
Notes to Basic Financial Statements
June 30, 2012

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 assets 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, liabilities, 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
June 30, 2012

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 defined 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
June 30, 2012

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.

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
Notes to Basic Financial Statements
June 30, 2012

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, 2012:

Cash in banks	\$51,768
Carrying value of investments:	
Local Agency Investment Fund	6,615,215
Deposits with Joint Powers Authority	860,855
Total cash and investments	\$7,527,838

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, 2012, the District's only investments are held in the Local Agency Investment Fund (LAIF).

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
Notes to Basic Financial Statements
June 30, 2012

NOTE 3 - CASH AND INVESTMENTS (Continued)

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, 2012, these investments matured in an average of 268 days.

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 \$257,613 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
June 30, 2012

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, 2011	Additions	Retirements	Balance June 30, 2012	NBV June 30, 2012
<i>Governmental activities</i>					
Capital assets not being depreciated:					
Land	\$778,640			\$778,640	\$778,640
Total capital assets not being depreciated	778,640			778,640	778,640
Capital assets being depreciated:					
Building	3,863,180			3,863,180	819,179
Landscaping	26,226			26,226	
Vehicles, trailers and boats	1,049,059		(\$93,153)	955,906	198,901
Field and operations equipment	208,781			208,781	35,277
Office and admin equipment	24,181			24,181	2,580
Office furniture	78,869			78,869	
Solar panels	410,340			410,340	346,033
Solar inverter	65,000			65,000	39,535
Total capital assets being depreciated	5,725,636		(93,153)	5,632,483	\$1,441,505
Less accumulated depreciation for:					
Building	(2,917,841)	(\$126,160)		(3,044,001)	
Landscaping	(26,226)			(26,226)	
Vehicles, trailers and boats	(755,141)	(92,331)	90,467	(757,005)	
Field and operations equipment	(160,338)	(13,166)		(173,504)	
Office and admin equipment	(18,559)	(3,042)		(21,601)	
Office furniture	(78,869)			(78,869)	
Solar panels	(47,893)	(16,414)		(64,307)	
Solar inverter	(18,965)	(6,500)		(25,465)	
Total accumulated depreciation	(4,023,832)	(257,613)	90,467	(4,190,978)	
Total depreciable assets	1,701,804	(\$257,613)	(\$2,686)	1,441,505	
Total capital assets	\$2,480,444			\$2,220,145	

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
Notes to Basic Financial Statements
June 30, 2012

NOTE 5 – FUND BALANCES AND NET ASSETS

A. Net Assets

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

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

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

B. Fund Balance /Net Assets

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.

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.

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
Notes to Basic Financial Statements
June 30, 2012

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, 2011, 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, 2011 is amortized over a fixed (decreasing or closed) period of 11 years remaining as of December 31, 2011. Any changes in the UAAL after December 31, 2011 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 7.75% is assumed, including inflation at 3.5%. Annual salary increases are assumed to vary by duration of service, ranging from 5.00% to 13.25%. Cost of living adjustments are assumed at 3% per year for substantially all District employees.

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.

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
Notes to Basic Financial Statements
June 30, 2012

NOTE 6 - PENSION PLAN (Continued)

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 .96 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, 2012, the District's overpayment was \$24,751 which is being applied toward the fiscal year 2012-2013 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>
2012	\$926,403	\$926,403	100%	15.80%-23.71%
2011	844,960	844,960	100%	13.99%-19.96%
2010	817,433	817,433	100%	13.18%-19.40%

* 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, 2010, 2011 and 2012 were \$165,853, \$167,821 and \$170,541, respectively. Under the contract agreement with the employees, the District pays 50% of the employees' portion of the required contributions, excluding the cost of living contribution

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

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
Notes to Basic Financial Statements
June 30, 2012

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS

During fiscal year 2009-2010, the District implemented 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, 2012, 10 retirees participated in the Plan.

B. Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a July 1, 2011 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% investment rate of return (based on a pay-as-you-go funding plan), (b) 3% projected annual salary increase, and (c) 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.

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
Notes to Basic Financial Statements
June 30, 2012

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 2012, the District contributed \$244,096 to the Plan, including \$44,096 for prefunding premiums and \$200,000 paid to PARS in June 2012. 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)	\$238,405
Interest on Net OPEB Asset	(372)
Adjustments to ARC	<u>532</u>
Annual OPEB cost	238,565
Contributions made to PARS	(200,000)
District's portion of current year premiums paid	<u>(44,096)</u>
(Decrease) in net OPEB obligations	(5,531)
Net OPEB (asset) at June 30, 2011	<u>(7,438)</u>
Net OPEB (asset) at June 30, 2012	<u><u>(\$12,969)</u></u>

The accrued liability (AL) representing the present value of future benefits, included in the actuarial study dated July 1, 2011, amounted to \$2,016,045.

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, 2010	\$231,325	\$39,888	17%	\$191,437
June 30, 2011	238,084	436,959	184%	(7,438)
June 30, 2012	238,565	244,096	102%	(12,969)

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
Notes to Basic Financial Statements
June 30, 2012

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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	\$2,062,363	\$2,062,363	0.00%	\$2,599,152	79.35%
7/1/2011	0	2,016,045	2,016,045	0.00%	2,594,856	77.69%

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.

The following is a summary of the insurance policies in force carried by the Authority as of June 30, 2012:

Type of Coverage	District Limits	District Deductibles
General Liability	\$29,000,000	\$50,000
Employment Practices	2,000,000	50,000
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	5,000

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
Notes to Basic Financial Statements
June 30, 2012

NOTE 8 – RISK MANAGEMENT (Continued)

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, 2012. The District had no claims losses outstanding at June 30, 2012. Settled claims for the District have not exceeded coverage in any of the past three years.

The District has reserves of \$860,855 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.

NOTE 9 – ACCOUNTING FOR PROPOSITION 1A STATE BORROWING

Proposition 1A was passed by California voters in 2004 to ensure local property tax and sales tax revenues remain with local government thereby safeguarding funding for public safety, health, libraries, parks, and other local services. Provisions can only be suspended if the Governor declares a fiscal necessity and two-thirds of the Legislature concur.

Under the provisions of Proposition 1A and as part of the fiscal year 2009-10 budget package passed by the California State legislature on July 28, 2009, the State of California borrowed 8% of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fees, triple flip in lieu sales taxes, and supplemental property taxes, apportioned to the District. The State is required to repay the \$324,842 it borrowed from the District, plus interest of 2%, by June 30, 2013.

This borrowing by the State of California was recognized as a receivable in the accompanying financial statements. Under the modified accrual basis of accounting, the borrowed tax revenues are not permitted to be recognized as revenue in the governmental fund financial statements until the tax revenues are received from the State of California, which is not expected until fiscal year 2012-13. In the government-wide financial statements, the tax revenues were recognized in the fiscal year for which they were levied (fiscal year 2009-10).

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