

**MARIN/SONOMA MOSQUITO AND  
VECTOR CONTROL DISTRICT**

**REQUIRED COMMUNICATIONS**

**FOR THE YEAR ENDED JUNE 30, 2018**

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**MARIN/SONOMA MOSQUITO AND  
VECTOR CONTROL DISTRICT**

**REQUIRED COMMUNICATIONS**

**For the Year Ended June 30, 2018**

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## REQUIRED COMMUNICATIONS

To the Board of Trustees  
Marin/Sonoma Mosquito and Vector Control District  
Cotati, California

We have audited the basic financial statements of the Marin/Sonoma Mosquito and Vector Control District (District) for the year ended June 30, 2018. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards.

### Significant Audit Findings

#### *Accounting Policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year.

The following pronouncements became effective, but did not have a material effect on the financial statements:

**GASB 81 - Irrevocable Split-Interest Agreements**

**GASB 85 - Omnibus 2017**

**GASB 86 - Certain Debt Extinguishment Issues**

#### *Unusual Transactions, Controversial or Emerging Areas*

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

#### *Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the District's financial statements were:

*Estimated Net Pension Liabilities and Pension-Related Deferred Outflows and Inflows of Resources:* Management's estimate of the net pension liabilities and deferred outflows/inflows of resources are disclosed in Note 6 to the financial statements and are based on actuarial studies determined by a consultant, which are based on the experience of the District. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

*Estimated Net OPEB Liabilities and OPEB-Related Deferred Outflows and Inflows of Resources:* Management's estimate of the net OPEB liabilities and deferred outflows/inflows of resources are disclosed in Note 7 to the financial statements and are based on actuarial studies determined by a consultant, which are based on the experience of the District. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

*Estimated Fair Value of Investments:* As of June 30, 2018, the District held approximately \$15 million of cash and investments as measured by fair value as disclosed in Note 3 to the financial statements. Fair value is essentially market pricing in effect as of June 30, 2018. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2018.

*Estimate of Depreciation:* Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 4 to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

*Estimate of Compensated Absences:* Accrued compensated absences which are comprised of accrued vacation, holiday, and certain other compensating time is estimated using accumulated unpaid leave hours and hourly pay rates in effect at the end of the fiscal year as disclosed in Note 2F to the financial statements. We evaluated the key factors and assumptions used to develop the accrued compensated absences and determined that it is reasonable in relation to the basic financial statements taken as a whole.

## ***Disclosures***

The financial statement disclosures are neutral, consistent, and clear.

## ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

## ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Board of Trustees.

## ***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in a management representation letter dated November 9, 2018.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Information Accompanying the Financial Statements**

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

We were engaged to report on the supplementary information, which accompanies the financial statements but is not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

\*\*\*\*\*

This information is intended solely for the use of the Audit Committee, Board of Trustees and management and is not intended to be, and should not be, used by anyone other than these specified parties.



Pleasant Hill, California  
November 9, 2018

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**MARIN/SONOMA MOSQUITO AND  
VECTOR CONTROL DISTRICT**

**COTATI, CALIFORNIA**

**BASIC FINANCIAL STATEMENTS**

**FISCAL YEAR ENDED JUNE 30, 2018**

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**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT**  
**BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

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**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT  
BOARD OF TRUSTEES  
JUNE 30, 2018**

	Term Expires
Herb Rowland, President.....	December 2020
Shaun McCaffery, 1 <sup>st</sup> Vice-President.....	December 2018
Paul Sagues, 2 <sup>nd</sup> Vice-President.....	December 2019
Carol Giovanatto, Secretary.....	December 2018
Bruce Ackerman.....	January 2022
Ken Blair.....	January 2020
Gail Bloom.....	December 2019
Tamara Davis.....	December 2018
Art Deicke.....	December 2019
Dustin DeMatteo.....	December 2018
Laurie Gallian.....	December 2018
Una Glass.....	December 2019
Pamela Harlem.....	December 2019
Susan Hootkins.....	December 2018
Ranjiv Khush.....	December 2018
Alannah Kinser.....	December 2018
Matthew Naythons.....	December 2020
Terry Pebbles.....	December 2021
Ed Schulze.....	December 2019
Richard Snyder.....	January 2022
David Witt.....	January 2020

## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Marin/Sonoma Mosquito and  
Vector Control District  
Cotati, California

### *Report on Financial Statements*

We have audited the accompanying financial statements of the governmental activities and each major fund of the Marin/Sonoma Mosquito and Vector Control District (District), as of and for the year ended June 30, 2018, 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 opinions on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of governmental activities and each major fund of the Marin/Sonoma Mosquito and Vector Control District as of June 30, 2018, and the respective changes in the financial position and budgetary comparisons listed in the Table of Contents as part of the basic financial statements, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other Required Supplementary Information as listed in the Table of Contents 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.

*Mazze & Associates*

Pleasant Hill, California  
November 9, 2018

**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

This discussion reflects the District's present and future programs for the fiscal year beginning July 1, 2017 and ending June 30, 2018 and offers its readers a narrative overview and analysis of the financial activities of the District.

**FINANCIAL HIGHLIGHTS JULY 1, 2017—JUNE 30, 2018**

- The District's operating fund cash balance (with the County of Marin) at the beginning of the fiscal year was \$8,841,807 and \$10,262,758 at the end of the fiscal year.
- The District's capital replacement fund cash balance (with the County of Marin) at the beginning of the fiscal year was \$3,108,827 and \$3,138,384 at the end of the fiscal year.
- The District's emergency vector control fund cash balance (with the County of Marin) at the beginning of the fiscal year was \$1,164,127 and \$1,175,195 at the end of the fiscal year.
- The District had general revenues and charges for services of \$9,522,295 and program expenses of \$8,047,663. The District's net position was increased by \$1,474,632 as revenues exceeded expenses by this amount.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statement is comprised of four (4) components:

- Government-wide Financial Statements
- Fund Financial Statements
- Notes to Basic Financial Statements
- Required Supplementary Information

**REPORTING ENTITY**

The Marin/Sonoma Mosquito Abatement District was formed in May of 1915 and later became a California Special District. The District is empowered under the California Health and Safety Code to take all necessary steps to abate mosquitoes and other vectors, such as rats and yellow jackets. The District also provides robust public outreach and an Education Program within the Marin and Sonoma County school systems. The District is governed by a twenty four (24) member appointed Board of Trustees that represents both counties and each City or Town. As of June 30, 2018, there were three vacant seats, Corte Madera, Petaluma and one Sonoma County at Large. The District covers an area of almost 2300 sq. miles and has a payroll of 31 regular, full-time employees.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities include all of the financial activities of the District, including long-term items such as capital assets. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District’s activities. Direct expenses are those that are specifically associated with a program or function and therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods or services offered by the programs and (b) funds and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Marin-Sonoma Mosquito and Vector Control District

**STATEMENT OF NET POSITION**

	<u>FY 2016/17</u>	<u>FY 2017/18</u>	<u>% CHANGE</u>
<b>TOTAL ASSETS</b>	<u>\$ 20,953,073</u>	<u>\$ 22,413,026</u>	6.97%
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>3,434,751</u>	<u>3,387,503</u>	-1.38%
<b>TOTAL LIABILITIES</b>	<u>15,129,791</u>	<u>14,492,804</u>	-4.21%
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>828,167</u>	<u>1,403,227</u>	69.44%
<b>NET POSITION:</b>			
Net Investment in Capital Assets	5,748,705	5,448,108	-5.23%
Unrestricted	<u>2,681,161</u>	<u>4,456,390</u>	66.21%
<b>TOTAL NET POSITION</b>	<u>\$ 8,429,866</u>	<u>\$ 9,904,498</u>	17.49%

As of June 30,2018, the District reported its proportionate share of the net pension liability (Note 6B) as well as the deferred outflows and inflows of resources related to retiree healthcare (OPEB) (Note 7F). The District’s net position for fiscal year 2017/2018 increased by \$1,483,632. In addition, the Districts total liabilities decreased 4.21% in FY 2017/2018, helping to contribute to a 17.49% positive change in total net position.

Marin-Sonoma Mosquito and Vector Control District

**STATEMENT OF ACTIVITIES  
& CHANGES IN NET POSITION**

	<u>FY 2016/17</u>	<u>FY 2017/18</u>	<u>% CHANGE</u>
<b>GENERAL REVENUE:</b>			
Taxes and Assessments	\$ 8,623,157	\$ 8,945,986	-3.74%
Use of Money and Property	57,377	128,001	-123.09%
Other Revenues	224,529	357,254	-59.11%
<b>TOTAL GENERAL REVENUE</b>	<u>\$ 8,905,063</u>	<u>\$ 9,431,241</u>	5.91%
<b>TOTAL PROGRAM REVENUE</b>	<u>\$ 114,302</u>	<u>\$ 91,054</u>	-20.34%
<b>EXPENSES</b>	<u>\$ 8,406,793</u>	<u>\$ 8,047,663</u>	-4.27%
Change in net position	\$ 612,572	\$ 1,474,632	-140.73%
Beginning Net position	7,817,294	8,429,866	-7.84%
Ending net position	<u>\$ 8,429,866</u>	<u>\$ 9,904,498</u>	17.49%



The District has two main revenue components: Ad valorem taxes and the two Benefit Assessments. The District has experienced an increase in assessments and property tax revenue of 3.74%. Also, use of money and property (investment income) rose by 123% over the prior year. Other Revenues include reimbursement for miscellaneous work performed by the District throughout the year, insurance refunds/reimbursements, miscellaneous reimbursements and sale of equipment. Program revenue consists of contract work performed by the District and the amount received is variable from year to year.

## **FUND FINANCIAL STATEMENTS**

The fund financial statements provide information about the District's funds. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column.

## **MAJOR FUNDS**

GASB Statement No. 34 defines major funds and requires that the District's major governmental type funds be identified and presented separately in the financial statements. Major funds are defined as funds that either have assets, deferred inflows, liabilities, deferred outflows, revenues, or expenditures equal to or greater than ten percent of their fund-type total and five percent of the grand total of all fund types. The District has elected to show all funds as major funds.

The General Fund is the main operating fund of the District. This fund is used to account for financial resources not accounted for in other funds.

The Capital Replacement Fund is used to account for all capital related purchases.

## **ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES**

The projected Budget for the 2018-19 Fiscal Year is \$9,159,398 with projected Revenues of \$8,907,949. Due to the projected shortfall of revenue compared with expenses, \$251,449 was slated to drawn from net assets to balance the budget. The total amount allocated for Capital Replacement items is \$36,350. For fiscal year 2018/19 the District's benefit assessments were increased as follows: Benefit Assessment (BA) #1 remained flat at \$12.00 per/parcel, BA #2 (Marin County and Zone A) to \$26.40 per/parcel and Zone B to \$25.24 per/parcel. The ad valorem tax collections were forecast to increase by 5.0% for Marin County and 2.0% for Sonoma County.

The following factors were considered in preparing the District's Budget for the fiscal year 2018/19:

- An increase of 3.22% in Benefit Assessment #2 and an increase of 3.62% in the ad valorem taxes were predicted. The combined increase in revenue from both ad valorem taxes and benefit assessments was forecast to be 3.55% greater than for the prior fiscal year.
- During FY 2017/2018, three long standing employees retired, creating vacancies and promotions from within the organization. While preparing the FY 2018/2019 budget, the District took into consideration the salary and benefit savings from these retirements as well as providing the opportunity to fill vacancies.
- In FY 2018/2019, the District's represented employees entered into the second year of a three-year Memorandum of Understanding. Some of the changes that were applied beginning July 1, 2018 included increased employee contributions towards medical premiums and an additional 0.75% of salary contributed toward the District's share of the pension contributions.

- The level of expenditures on capital replacement items similar to the to the prior budget year. The only capital replacement item scheduled for FY 2018/2019 is an electric vehicle replacing the Prius that is nearing the end of its service life. For FY 2018/2019, the threshold for a purchase to be considered a capital item was raised to \$5,000. Formerly, the District used a capitalization threshold of \$500. This change that was approved by the Board is in accord with guidelines published by national organizations such as the Government Finance Officers Association.
- To cope with costs that are rising faster than the rate of revenue increases, operating expenditures including travel, advertising, services and supplies were kept to a minimum wherever possible. Operating expenditures were forecast to increase by 1.72% compared with FY 2017/18.
- The District will seek the services of a professional company to prepare payroll and all required payroll taxes and reports. This implementation of outside payroll services will create efficiencies and provide up to date IRS information, making certain that the District is in compliance with all State and Federal tax regulations.
- The District will continue its participation in the State's West Nile virus dead bird testing program and telephone hotline. Costs to the District may increase slightly next year because the Mosquito & Vector Control Association is likely to modify the method used to allocate the costs of operating the program.
- The District continued tick-borne disease surveillance and associated public outreach efforts, hosting several meetings of the Tick-borne Diseases Advisory Group.
- Continuing the District's plan to phase-in annual payment of the full annual required cost for Other Post-Employment Benefits (OPEB) over nine years, a budgetary allocation of \$449,000 was provided, representing the fourth year of deposits into the prefunding trust fund account established with the California Employees' Retiree Benefit Trust (CERBT). This amount is in addition to the usual "pay as you go" expenditures.
- The devastation of properties in Sonoma County from the October 2017 wildfires resulted in a potential \$60,000 reduction in ad valorem taxes to the District, however, in its annual budget, the State approved a plan to backfill almost all of the lost property revenues.

#### **FUTURE EVENTS THAT WILL FINANCIALLY IMPACT THE DISTRICT**

- Due to the failure of the District's 2015 proposed new benefit assessment in 2015, the District continues to operate in a fiscally constrained environment. Financial forecasts show that the District will soon enter a period of annual structural deficits. To a modest extent, recent robust growth in ad valorem revenues has offset the flat revenue from Benefit Assessment #1, which supplies the great majority of the benefit assessment revenue, but this factor alone will be insufficient to meet long-term funding needs. Revenue from assessment (#1) has remained flat at its \$12 cap and can never be increased. Each year it declines in purchasing power due to the effects of economic inflation.
- Demand for services continues to increase each year, further stressing the District's operational capacities. Increased workload due to requests for assistance with yellowjacket and rodent problems continue to represent the largest growth area.

- Invasive *Aedes aegypti* and *albopictus* mosquitoes remained established close to the District, with the closest being Merced County. Although surveillance has not yet detected these mosquitoes in the District's service area, it is very possible that they may spread here in the future. Other Districts' experience has been that substantial additional staffing, equipment, and supplies are needed to contain and attempt to eradicate such an infestation. Although the District maintains an emergency reserve of approximately \$1M to deal with a vector-borne disease emergency, in the event of a local invasive *Aedes* infestation, this amount could be depleted rapidly.
- Advanced technology in various forms will present opportunities for increased surveillance and treatment efficacy. Efficiencies may be realized in the future by the application of Unmanned Aerial Vehicle technology to vector control operations, potentially replacing some or all manned helicopter flights and enabling personnel to operate in sensitive habitats with reduced impacts. Demonstration projects are already under way at several mosquito districts. Although this technology is very promising and advancing rapidly, its implementation in the field of vector control is still in the early stages. The State Department of Public Health is working with the Department of Pesticide Regulation to promulgate regulation (expected by the end of 2018) that will govern the application of mosquito control materials by Districts.
- Following the Sonoma Complex Fires during 2017, the District expended several hundred thousand dollars in staff effort and materials to address the nine hundred plus pools, spas, septic tanks, ponds etc. that became prodigious mosquito sources. Efforts to obtain financial reimbursement from the Federal Emergency Management Agency were unsuccessful, due to their highly restrictive rules. Unless the governing regulations are changed, the District is likely to experience the same outcome following future disaster recovery efforts.
- A 2016 study conducted by Municipal Resource Group (MRG) examined the future costs associated with District's capital equipment and facility replacement needs for the next twenty years. The study concluded that the District should set aside considerably more funds annually than it has been in recent years for replacement of capital items such as vehicles, equipment and facilities. Based on input from trustees and staff, MRG modified the study to maintain the existing balance of \$3.0M in the Capital Replacement Fund and showed an annual average recommended fund contribution of approximately \$300,000, which is approximately twice the recent average annual spending on capital replacement items. Eventually these deferred replacement items will need to be addressed. A proposal to alter the way that the District deals with financing capital projects is planned for 2019.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning the information provided in this report or requests for additional financial information should be addressed to the Marin/Sonoma Mosquito and Vector Control District, 595 Helman Lane, Cotati, CA 94931.

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2018

	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and investments (Note 3)	\$14,671,863
Deposits held by VCJPA (Notes 3 and 8)	722,948
Accounts receivable	964,684
Property taxes receivable	294,756
Inventory (Note 2E)	310,667
Total current assets, net	16,964,918
Capital assets (Note 4):	
Nondepreciable:	
Land	675,000
Depreciable:	
Structures and improvements	6,705,661
Office equipment	469,806
Office furniture	25,659
Field equipment	88,799
Vehicles	1,974,252
Less: Accumulated depreciation	(4,491,069)
Total capital assets, net	5,448,108
Total Assets	22,413,026
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related (Note 6B)	1,605,852
OPEB related (Note 7F)	1,781,651
Total Deferred Outflows of Resources	3,387,503
<b>LIABILITIES</b>	
Current liabilities:	
Compensated absences (Note 2F)	212,333
Total current liabilities	212,333
Non-current liabilities:	
Compensated absences (Note 2F)	259,519
Net OPEB liability (Note 7C)	9,500,000
Collective net pension liability (Note 6B)	4,520,952
Total non-current liabilities	14,280,471
Total Liabilities	14,492,804
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related (Note 6B)	471,227
OPEB related (Note 7F)	932,000
Total Deferred Inflows of Resources	1,403,227
<b>NET POSITION (Note 5)</b>	
Net investment in capital assets	5,448,108
Unrestricted	4,456,390
Total Net Position	\$9,904,498

See accompanying notes to financial statements

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	<u>Program Revenues</u> Charges for Services	Net (Expense) Revenue and Change in Net Position
Governmental Activities:			
Public Health	(\$8,047,663)	\$91,054	(\$7,956,609)
Total Governmental Activities	<u>(\$8,047,663)</u>	<u>\$91,054</u>	<u>(7,956,609)</u>
General revenues:			
Taxes and assessments			8,945,986
Use of money and property			128,001
Other revenues			<u>357,254</u>
Total General Revenues			<u>9,431,241</u>
Change in Net Position			1,474,632
Net Position - Beginning			<u>8,429,866</u>
Net Position - Ending			<u><u>\$9,904,498</u></u>

See accompanying notes to financial statements

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2018

	General Fund	Capital Replacement Fund	Totals
<b>ASSETS</b>			
Cash and investments (Note 3)	\$11,533,479	\$3,138,384	\$14,671,863
Deposits with VCJPA (Notes 3 and 8)	722,948		722,948
Accounts receivable	964,684		964,684
Property taxes receivable	294,756		294,756
Inventory (Note 2E)	310,667		310,667
<b>Total Assets</b>	<b>\$13,826,534</b>	<b>\$3,138,384</b>	<b>\$16,964,918</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - accounts receivable	\$835,864		\$835,864
<b>Total Deferred Inflows of Resources</b>	<b>835,864</b>		<b>835,864</b>
<b>FUND BALANCES (Note 5)</b>			
Nonspendable: inventory	310,667		310,667
Committed for dry period funding	3,200,000		3,200,000
Committed for public health emergencies	1,175,195		1,175,195
Assigned for insurance	722,948		722,948
Assigned for future capital replacements		\$3,138,384	3,138,384
Unassigned	7,581,860		7,581,860
<b>Total Fund Balances</b>	<b>12,990,670</b>	<b>3,138,384</b>	<b>16,129,054</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$13,826,534</b>	<b>\$3,138,384</b>	<b>\$16,964,918</b>

See accompanying notes to financial statements

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT  
 Reconciliation of the  
 GOVERNMENTAL FUNDS -- BALANCE SHEET  
 with the  
 STATEMENT OF NET POSITION  
 JUNE 30, 2018

FUND BALANCE OF GOVERNMENTAL FUNDS	\$16,129,054
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Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds Balance Sheet because of the following:

Capital assets used in Governmental Activities are not current resources, and therefore, are not reported in the Governmental Fund Balance Sheet.

Capital assets at historical cost	\$9,939,177	
Less: accumulated depreciation	<u>(4,491,069)</u>	5,448,108

The liabilities and deferred outflows/inflows below are not due and payable in the current period, and therefore, are not reported in the Governmental Fund Balance Sheet.

Unavailable revenue	835,864	
Compensated absences payable	(471,852)	
Other postemployment benefits payable	(9,500,000)	
Deferred outflows related to pension	1,605,852	
Deferred outflows related to OPEB	1,781,651	
Net pension liability	(4,520,952)	
Deferred inflows related to pension	(471,227)	
Deferred inflows related to OPEB	<u>(932,000)</u>	<u>(11,672,664)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$9,904,498</u></u>
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See accompanying notes to financial statements

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Capital Replacement Fund	Totals
REVENUES:			
Taxes and assessments	\$8,945,986		\$8,945,986
Use of money and property	98,444	\$29,557	128,001
Other revenues	296,404		296,404
<b>Total Revenues</b>	<b>9,340,834</b>	<b>29,557</b>	<b>9,370,391</b>
EXPENDITURES:			
Current:			
Salaries and benefits	5,705,866		5,705,866
General and administrative	2,019,661		2,019,661
Capital outlay		36,218	36,218
<b>Total Expenditures</b>	<b>7,725,527</b>	<b>36,218</b>	<b>7,761,745</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,615,307	(6,661)	1,608,646
OTHER FINANCING SOURCES (USES)			
Transfers in		36,218	36,218
Transfers (out)	(36,218)		(36,218)
<b>Total other financing sources (uses)</b>	<b>(36,218)</b>	<b>36,218</b>	
NET CHANGE IN FUND BALANCES	1,579,089	29,557	1,608,646
BEGINNING FUND BALANCES	11,411,581	3,108,827	14,520,408
ENDING FUND BALANCES	<u>\$12,990,670</u>	<u>\$3,138,384</u>	<u>\$16,129,054</u>

See accompanying notes to financial statements



MARIN/SONOMA 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, 2018

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	\$1,608,646
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

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.

Capital outlay expenditures are added back to fund balance	\$36,218	
Depreciation expense is not reportable in the governmental fund	(220,323)	
Net retirements and adjustments are deducted from fund balance	<u>(116,492)</u>	<u>(300,597)</u>

Net Pension Liability is not a current liability, and therefore, governmental funds record pension expense as it is paid. However, in the Statement of Activities those costs are reversed as deferred outflows/(inflows) and an increase/(decrease) in net pension liability.	(3,610)
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Other Post Employment Benefits payable is not a current liability, and therefore, is not recorded in the governmental fund statements. This amount represents the amount of the change in the payable and related deferred outflows/(inflows) in the current period.	651
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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 fund statements. The net changes are as follows:

Unearned revenue		151,904
Compensated absences		<u>17,638</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$1,474,632</u></u>
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See accompanying notes to financial statements

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
<b>REVENUES</b>				
Taxes and assessments:				
Assessments	\$3,152,412	\$3,152,412	\$3,088,621	(\$63,791)
Current secured	4,244,746	4,244,746	4,692,540	447,794
Current unsecured	100,070	100,070	112,645	12,575
Prior unsecured	2,962	2,962	3,105	143
Homeowners' property tax relief	33,310	33,310	28,627	(4,683)
Annexation revenue	926,149	926,149	1,006,765	80,616
Supplemental assessments	68,872	68,872	13,432	(55,440)
Other aid			251	251
Total taxes and assessments	<u>8,528,521</u>	<u>8,528,521</u>	<u>8,945,986</u>	<u>417,465</u>
Use of money and property:				
Interest income	<u>25,256</u>	<u>25,256</u>	<u>98,444</u>	<u>73,188</u>
Other revenues:				
Contract work	150,000	150,000	91,054	(58,946)
Refunds and reimbursements			205,350	205,350
Total other revenues	<u>150,000</u>	<u>150,000</u>	<u>296,404</u>	<u>146,404</u>
Total Revenues	<u>8,703,777</u>	<u>8,703,777</u>	<u>9,340,834</u>	<u>637,057</u>
<b>EXPENDITURES</b>				
Current:				
Employees' compensation				
Salaries and compensated absences	3,638,917	3,638,917	3,351,436	287,481
Employee benefits	<u>2,578,884</u>	<u>2,578,884</u>	<u>2,354,430</u>	<u>224,454</u>
Total employees' compensation	<u>6,217,801</u>	<u>6,217,801</u>	<u>5,705,866</u>	<u>511,935</u>
Total expenditures forward	<u>6,217,801</u>	<u>6,217,801</u>	<u>5,705,866</u>	<u>511,935</u>

(Continued)

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
Current:				
Total forward	\$6,217,801	\$6,217,801	\$5,705,866	\$511,935
General and administrative:				
Agriculture	840,125	840,125	568,988	271,137
Pest abatement supplies	12,300	12,300	10,318	1,982
Spray/field equipment	18,715	18,715	2,114	16,601
Source reduction equipment	16,250	16,250	8,892	7,358
Furniture, appliances and equipment	4,460	4,460	1,869	2,591
Clothing and personal supplies	31,220	31,220	31,232	(12)
Safety equipment	9,775	9,775	6,048	3,727
Communications	52,710	52,710	46,474	6,236
Food	4,200	4,200	2,641	1,559
District special expense	263,230	263,230	242,000	21,230
Household expense	7,550	7,550	4,563	2,987
Insurance	258,780	258,780	258,489	291
Accidents			9,900	(9,900)
Projects	3,000	3,000		3,000
Maintenance - equipment	132,500	132,500	83,913	48,587
Maintenance - ground/structures	9,050	9,050	2,911	6,139
Lab	15,200	15,200	8,645	6,555
Fish supplies	3,775	3,775	1,599	2,176
Disease surveillance	20,700	20,700	14,567	6,133
Memberships	36,855	36,855	35,957	898
Office expense	27,875	27,875	17,491	10,384
Professional and special services	428,359	428,359	295,553	132,806
Publications and legal notices	98,300	98,300	97,348	952
Rents and leases	8,050	8,050	6,246	1,804
Small tools and instruments	4,900	4,900	2,542	2,358
Minor construction/improvements	72,400	72,400	53,693	18,707
Education/public relations and printing	42,950	42,950	41,701	1,249
Education and training for employees	15,700	15,700	9,719	5,981
Travel and transportation	26,300	26,300	14,656	11,644
Fuel and oil	95,300	95,300	79,467	15,833
Utilities	29,605	29,605	60,125	(30,520)
Total general and administrative	2,590,134	2,590,134	2,019,661	570,473
Total Expenditures	8,807,935	8,807,935	7,725,527	1,082,408

(Continued)

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers in (out)			(\$36,218)	(\$36,218)
Total other financing sources (uses)			(36,218)	(36,218)
NET CHANGE IN FUND BALANCE	<u>(\$104,158)</u>	<u>(\$104,158)</u>	1,579,089	<u>\$1,683,247</u>
BEGINNING FUND BALANCE			<u>11,411,581</u>	
ENDING FUND BALANCE			<u>\$12,990,670</u>	

See accompanying notes to financial statements

**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 1 - GENERAL**

Formed in 1915, the Marin/Sonoma Mosquito and Vector Control District (District) is a California Special District empowered to take all necessary steps for the abatement of mosquito and other vectors such as yellow jackets and rats. The District is also empowered to abate as nuisances all standing water that produces mosquitoes. A twenty-four (24) member appointed Board of Trustees governs the District. As of June 30, 2018, there were three vacant seats.

**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 following financial statements be presented:

***District-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 include the financial activities of the overall District government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

***Governmental Fund Financial Statements:*** The fund financial statements provide information about the District's funds. Separate statements for each governmental fund are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column.

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

**General Fund** – The General Fund is the main 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.

**Capital Replacement Fund** – The Capital Replacement Fund is used to account for all capital purchases.

**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Accounting**

The District-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 taxes, 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 and general revenues. Thus, both restricted and unrestricted net position 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**

Revenue is recognized in the fiscal year for which the tax and assessment is levied. The Counties of Marin and Sonoma levy, bill and collect property taxes and benefit assessments for the District; the Counties remit the entire amount levied and handle all delinquencies, retaining interest and penalties. Secured and unsecured property taxes are levied on January 1 of the preceding fiscal year.

Secured property tax is due in two installments, on November 1 and February 1, and becomes a lien on those dates. It becomes delinquent on December 10 and April 10, respectively. Unsecured property tax is due on July 1 and becomes delinquent on August 31.

The term “unsecured” refers to taxes on personal property other than real estate, land and buildings. These taxes are secured by liens on the personal property being taxed.

**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property tax revenue is recognized in the fiscal year for which the tax is levied. Marin and Sonoma Counties distribute property tax (termed “settlements”) under the Teeter Plan, which allows the District to receive all property taxes in the year in which they are levied. The Counties retain any collections of interest, penalties and delinquencies under this plan. Sonoma County’s Teeter Plan includes current year secured and supplemental ad valorem taxes but does not include any direct charges (benefit assessments) or unsecured taxes. A settlement apportionment for 95% of unsecured property taxes is received in October, with the remainder distributed in June. Secured property taxes are received in three settlements and apportioned as follows: 55% in December, 40% in April and 5% in June.

**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.

**E. *Inventory***

Inventories consist primarily of pesticides and are stated at cost (first-in, first-out basis) and are recorded as expenditures at the time the inventory is consumed.

**F. *Compensated Absences***

Accumulated unpaid employee vacation and compensated hours, are recognized as liabilities of the District to the extent they vest. Sick leave has also been included as employees receive 50% of their accumulated sick leave upon termination of employment. The liability is recorded in the Statement of Net Position. The General Fund has been used to liquidate compensated absences. At June 30, 2018, the balance of compensated absences was \$471,852 of which \$212,333 was estimated to be the current portion.

**G. *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.

**H. *Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position or balance sheet reports 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. In addition to liabilities, the statement of net position or balance sheet reports 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.

**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

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

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

**NOTE 3 - CASH AND INVESTMENTS**

**A. Policies and Classification**

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. Deposits with JPA are reserves held by the Vector Control Joint Powers Agency (VCJPA) and are uncollateralized and uninsured (See Note 8).

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, 2018:

Cash on hand	\$350
Deposits with financial institutions	95,175
County of Marin Treasury	14,576,338
Sub-total	14,671,863
Deposits with VCJPA	722,948
Total cash and investments	\$15,394,811



**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 3 - CASH AND INVESTMENTS (Continued)**

**B. Permitted Investments**

The District has authorized staff to deposit cash with the Marin County Treasurer in a series of pooled accounts with cash from various other governmental entities within the County, for investment purposes. The County's investment policies are governed by State statutes. In addition, the County has an investment committee, which prescribes written investment policies regarding the types of investments that may be made. The policies limit amounts that may be invested in any one financial institution or amounts, which may be invested in long-term instruments. Interest earned from such time deposits and investments is allocated quarterly to the District based on its average daily cash balances. The fair value of the account at June 30, 2018 was provided by the County Treasurer.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (LAIF)	N/A	None	\$60 million
Certificates of Deposit - Negotiable	N/A	30%	None
Certificates of Deposit - Non-negotiable	None	None	None
Money Market Funds	N/A	20%	None
U.S. Government Securities	None	None	None
County Cash Pool	None	None	None
Bankers Acceptances	180 days	30%	None
Commercial Paper	270 days	40%	None
Repurchase Agreements	None	None	None

**C. Fair Value Hierarchy**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The District's only investment is in the County of Marin Treasury Pool which is classified as Level 2 of the fair value hierarchy and is valued using quoted prices for identical instruments in markets that are not active as provided by the County Treasurer. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources.

**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 4 – CAPITAL ASSETS**

Purchased capital assets are stated at historical cost or estimated historical cost when original cost is not available. Donated capital assets are recorded at their acquisition fair value at the date of donation. The District's policy is to capitalize all capital assets with costs exceeding a minimum threshold of \$5,000. Depreciation is recorded using the straight-line method over the estimated useful lives of capital assets which range from 20 to 50 years for structures and improvements, 3 to 40 years for office equipment, 3 to 20 years for office furniture, 10 to 20 years for field equipment, and 5 to 15 years for vehicles.

Capital asset activity for the fiscal year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Retirements	Adjustments	Balance June 30, 2018
Capital assets not being depreciated:					
Land	\$675,000				\$675,000
Total capital assets not being depreciated	675,000				675,000
Capital assets being depreciated:					
Structures and improvements	6,674,176	\$36,218		(\$4,733)	6,705,661
Office equipment	613,222		(\$9,896)	(171,551)	431,775
Office furniture	49,950			(22,822)	27,128
Field equipment	323,556			(198,195)	125,361
Vehicles	2,271,199		(250,044)	(46,903)	1,974,252
Total capital assets being depreciated	9,932,103	36,218	(259,940)	(444,204)	9,264,177
Accumulated depreciation:					
Structures and improvements	(2,215,744)	(153,701)		2,020	(2,367,425)
Office equipment	(307,933)	(5,080)	9,896	82,585	(220,532)
Office furniture	(49,950)			22,822	(27,128)
Field equipment	(295,921)	(17,442)		188,002	(125,361)
Vehicles	(1,988,850)	(44,100)	241,294	41,033	(1,750,623)
Total accumulated depreciation	(4,858,398)	(220,323)	251,190	336,462	(4,491,069)
Total capital assets, being depreciated, net	5,073,705	(\$184,105)	(\$8,750)	(\$107,742)	4,773,108
Capital assets, net	\$5,748,705				\$5,448,108

**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 5 – NET POSITION AND FUND BALANCES**

Net Position is measured on the full accrual basis while Fund Balances are measured on the modified accrual basis.

**A. Net Position**

Net Position is the excess of all the District's assets and deferred outflows over all its liabilities and deferred inflows, regardless of fund. Net Position is divided into three captions which is determined at the District-wide level, and is 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.

*Restricted* describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. The District had no Restricted Net Position as of June 30, 2018.

*Unrestricted* describes the portion of Net Assets 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 and assets not expected to be converted to cash, such as prepaids, notes receivable, and inventories 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.

**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 5 – FUND BALANCES AND NET ASSETS (Continued)**

*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 when it is the District’s intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of the Capital Replacement Fund 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.

**NOTE 6 – PENSION PLANS**

**A. General Information about the Pension Plans**

**Plan Descriptions** – The District contributes to the Marin County Employees’ Retirement Association (MCERA). The MCERA provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and their beneficiaries. MCERA is a cost sharing multiple-employer plan administered by the County of Marin.

**Benefits Provided** – Employees hired before January 1, 2013 vest after 10 years of service and may receive retirement benefits at the age of 50. Employees hired on or after January 1, 2013 vest after 10 years of service and may receive retirement benefits at age 62. These benefit provisions and all requirements are by the County Employees’ Retirement Law of 1937, as amended and set forth in Section 34150 et. seq. of the government code.

Copies of MCERA’s annual financial reports, which include required supplementary information for each participant in the plan, may be obtained from the Marin County Employees’ Retirement Association, One McInnis Parkway, Suite 100, San Rafael, California 94903.

The Plans’ provisions and benefits in effect at June 30, 2018 are summarized as follows:

	Miscellaneous	
	Tier 1 - Classic	Tier 2 - PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55.5	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	100%	100%
Required employee contribution rates	7.83% - 12.64%	10.01%
Required employer contribution rates	35.27%	31.63%

**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 6 – PENSION PLANS (Continued)**

**Contributions** – Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by MCERA. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2018, the contributions recognized as part of pension expense for the Plans were as follows:

	Miscellaneous
Contributions - employer	\$1,041,782

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

As of June 30, 2018, the District reported its proportionate share of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$4,520,952
Total Net Pension Liability	\$4,520,952

The District’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2017, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District’s proportionate share of the net pension liability for each Plan as of June 30, 2016 and 2017 was as follows:

	Miscellaneous
Proportion - June 30, 2016	1.1722%
Proportion - June 30, 2017	1.2260%
Change - Increase (Decrease)	0.0538%

**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 6 – PENSION PLANS (Continued)**

For the year ended June 30, 2018, the District recognized pension expense of \$1,045,392. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$1,041,782	
Differences between actual and expected experience		\$104,803
Changes in assumptions	443,670	
Difference between District contributions and proportionate share of contributions	66,989	
Change in proportion	53,411	
Net differences between projected and actual earnings on plan investments		366,424
Total	\$1,605,852	\$471,227

\$1,041,782 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2019	(\$54,811)
2020	302,930
2021	83,274
2022	(238,550)

**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 6 – PENSION PLANS (Continued)**

*Actuarial Assumptions* – The total pension liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement. The key assumptions in the valuation were:

	Miscellaneous
Measurement Date	June 30, 2017
Valuation Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Rate of Return	7.25%
Projected Salary Increase	3.00% plus merit component based on employee classification and years of service
Cost of Living Adjustments	2.75%
Inflation	3.00%
Post Retirement COLA	Assumed at the rate of 2.7% for members with a 4% COLA cap, 2.6% for members with a 3% COLA cap, and 1.9% for members with a 2% COLA cap
Mortality	CalPERS 2014 Pre-Retirement Non-Industrial Death rates (plus Duty-Related Death rates for Safety Members), with the 20-year static projection used by CalPERS replaced by generational improvements from a base year of 2009 using Scale MP-2014

*Discount Rate* – The discount rate used to measure the Total Pension Liability was 7.25%.

We have assumed that the employees will continue to contribute to the Plan at the required rates and the employers will continue the historical and legally required practice of contributing to the Plan based on an actuarially determined contribution, reflecting a payment equal to annual Normal Cost, a portion of the expected Administrative Expenses, an amortization payment for the extraordinary losses from 2009 amortized over a closed period (22 years remaining as of the June 30, 2016 actuarial valuation) and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level percentage of payroll over a closed period (14 years remaining as of the June 30, 2016 actuarial valuation).

**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 6 – PENSION PLANS (Continued)**

The MCERA Board of Retirement has adopted an Investment Policy Statement (IPS), which provides the framework for the management of MCERA’s investments. The IPS establishes MCERA’s investment objectives and defines the principal duties of the Retirement Board, the custodian bank, and the investment managers. The asset allocation plan is an integral part of the IPS and is designed to provide an optimum and diversified mix of asset classes with return expectations to satisfy expected liabilities while minimizing risk exposure. MCERA currently employs external investment managers to manage its assets subject to the provisions of the policy. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the Plan. The following was the Retirement Board’s adopted asset allocation policy as of June 30, 2018:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	32%	5.10%
International Equity	22%	5.30%
Fixed Income	23%	75.00%
Real Estate	15%	3.85%
Private Equity	8%	5.90%
Total	100%	

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** – The discount rate used to measure the Total Pension Liability was 7.25%. Related to the discount rate is the funding assumption that employees will continue to contribute to the plan at the required rates and employers will continue the historical and legally required practice of contributing to the plan based on an actuarially determined contribution, reflecting a payment equal to annual normal cost, a portion of the expected administrative expenses, an amortization payment for the extraordinary losses from 2009 amortized over a closed period (22 years remaining as of the June 30, 2016 actuarial valuation) and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level percentage of payroll over a closed period (14 years remaining as of the June 30, 2016 actuarial valuation).



**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 6 – PENSION PLANS (Continued)**

A change in the discount rate would affect the measurement of the TPL. A lower discount rate results in a higher TPL and higher discount rates results in a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be very significant for a relatively small change in the discount rate. A one percent decrease in the discount rate increases the TPL by approximately 13% and increases the NPL by approximately 96%. A one percent increase in the discount rate decreases the TPL by approximately 11% and decreases the NPL by approximately 79%.

The following presents the District’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

Description	1% Decrease	Discount Rate	1% Increase
	6.25%	7.25%	8.25%
Total Pension Liability	\$37,251,367	\$32,918,302	\$29,354,020
Fiduciary Net Position	28,397,350	28,397,350	28,397,350
Net Pension Liability	<u>\$8,854,017</u>	<u>\$4,520,952</u>	<u>\$956,670</u>
 Fiduciary Net Position as a Percentage of the Total Pension Liability	 76.2%	 86.3%	 96.7%

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

**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended June 30, 2018**

**NOTE 7 – OTHER POST EMPLOYMENT BENEFITS**

**A. Plan Description, Benefits Provided and Funding Policy**

The District’s Post Employment Benefit Plan is an agent multiple employer plan. The following is a summary of Plan benefits as of June 30, 2018:

	<b>Benefit Summary</b>
<b>Eligibility</b>	-Hired July 30, 2014 or earlier: -Retire directly from the District under Marin County Employees' Retirement Association (Service Retirement at Age 50 or 55 depending on Retirement Tier with 10 years MCERA service or disability retirement) -10 years of District Service  -Hired after July 30, 2014: -Not eligible for District payment of retiree medical premiums
<b>Benefit</b>	-Hired July 30, 2014 or earlier: -District pays the full medical and Medicare B premiums for retirees -For retirees hired prior to July 1, 2009, the District also pays the premium for 1 dependent  -Hired after July 30, 2014: -No District contributions towards retiree medical premiums, but may participate in District medical plans if pays premium -Eligible for Health Reimbursement Account (HRA) contributions after 2 years of service with the District
<b>Surviving Spouse Benefit</b>	-Premium paid for those hired prior to July 1, 2009 -Same benefit continues to surviving spouse
<b>Dental, Vision, &amp; Life</b>	-None
<b>Medical Plans</b>	-County of Marin Medical Plans

The District’s policy is to contribute at least an amount sufficient to pay the current year’s premium. The District began making contributions to a CERBT trust during fiscal year 2014-2015.

Membership in the plan consisted of the following at June 30, 2018, the date of the latest actuarial valuation:

Active plan members	26
Inactive employees or beneficiaries currently receiving benefit payments	20
Inactive employees entitled to but not yet receiving benefit payments	0
Total	46

**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**B. Net OPEB Liability**

*Actuarial Methods and Assumptions* – The District’s net OPEB liability was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated July 1, 2017 that was rolled forward using standard update procedures to determine the District’s total OPEB liability as of June 30, 2017, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	July 1, 2017
Measurement Date	June 30, 2017
Actuarial Assumptions:	
Discount Rate	6.50%
Inflation	2.75% per annum
	Aggregate - 3%
Payroll Growth	Merit - MCERA 6/30/14 Experience Study
Mortality, Retirement, Disability, Termination	MCERA 6/30/14 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-16
	-Non-Medicare - 7.5% for 2018, decreasing to an ultimate rate of 4.0% in 2076 and later years
	-Medicare - 6.5% for 2018, decreasing to an ultimate rate of 4.0% in 2076 and later years
Medical Trend	0% for 2018 and 2019, increasing to Medicare medical trend in 2033 and later years
Medicare B Trend	-Hired 7/30/14 or earlier: 100%
	-Hired after 7/30/14: Ineligible
Participation for Future Retirees	

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57%	4.82%
Fixed Income	27%	1.47%
TIPS	5%	1.29%
Commodities	3%	0.84%
REITs	8%	3.76%
Total	100%	
Assumed Long-Term Rate of Inflation		2.75%
Assumed Long-Term Net Rate of Return, Rounded		6.50%

**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

The Expected Long-Term Rate of Return is provided by CalPERS' Strategic Asset Allocation Overview in August 2011 – Strategy 1.

***Discount Rate***

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**C. *Change in Net OPEB Liability***

	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability/(Asset)</b>
	<b>(a)</b>	<b>(b)</b>	<b>(c) = (a) - (b)</b>
Balance at June 30, 2017	\$9,330,000	\$292,000	\$9,038,000
Changes Recognized for the Measurement Period:			
Service Cost	212,000		212,000
Interest on the total OPEB liability	659,000		659,000
Changes in benefit terms			-
Difference between expected and actual experience	(1,109,000)		(1,109,000)
Changes of assumptions	1,380,000		1,380,000
Contributions from the employer		624,000	(624,000)
Net investment income		56,000	(56,000)
Administrative expenses			-
Benefit payments and refunds	(246,000)	(246,000)	-
Net Changes	896,000	434,000	462,000
Balance at June 30, 2018	\$10,226,000	\$726,000	\$9,500,000

The benefit payments and refunds include implied subsidy benefit payments in the amount of \$54,000.

**D. *Sensitivity of the Net OPEB Liability to Change in the Discount Rate***

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current discount rate:

<b>Plan's Net OPEB Liability/(Asset)</b>		
<b>Discount Rate -1%</b>	<b>Current Discount</b>	<b>Discount Rate +1%</b>
<b>(5.5%)</b>	<b>Rate (6.5%)</b>	<b>(7.50%)</b>
\$11,187,000	\$9,500,000	\$8,143,000

**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**E. Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates**

Plan's Net OPEB Liability/(Asset)		
Decrease -1%	Current Healthcare Cost Trend Rates	Increase Rate +1%
\$8,025,000	\$9,500,000	\$11,351,000

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued plan financial report.

**F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB**

For the year ended June 30, 2018, the District recognized OPEB expense of \$645,302. At June 30, 2018, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$635,651	
Difference between expected and actual experience		\$921,000
Changes in assumptions	1,146,000	
Net difference between projected and actual earnings on plan investments		11,000
Total	\$1,781,651	\$932,000

\$635,651 reported as deferred outflows of resources related to employer contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Measurement Period Ended June 30	Annual Amortization
2019	\$43,000
2020	43,000
2021	44,000
2022	43,000
2023	41,000

**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**G. *Deferred Compensation Plan***

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is available for full-time employees. The Internal Revenue Services regulations allow an employer to designate a 457(b) Deferred Compensation Plan as an alternative to social security. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. However, participants are allowed to borrow against their account value, up to 50%.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights (until paid or made available to the employee or other beneficiary) are held in trust by third party administrators for the exclusive benefit of the plan participants and their beneficiaries as prescribed by Internal Revenue Code Section 457 (g). Accordingly, these assets have been excluded from the accompanying financial statements.

**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.

**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2018**

**NOTE 8 – RISK MANAGEMENT (Continued)**

The following is a summary of the insurance policies in force carried by the Authority as of June 30, 2018:

Type of Coverage	District Limits	District Deductibles
General Liability	\$14,000,000	\$50,000
Employment Practices	2,000,000	25,000
Workers' Compensation	Statutory	500,000
Boiler and Machinery	100,000,000	2,500 to 350,000
All-risk Property	1,000,000,000	10,000
Auto Physical Damage (per vehicle)	35,000	1,000
Business Travel Accident	150,000	None
Group Fidelity	1,000,000	2,500

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, 2018. The District had no claims losses outstanding at June 30, 2018. Settled claims for the District have not exceeded coverage in any of the past three years.

The District has reserves of \$722,948 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, 1750 Creekside Oaks Drive, Suite 200, Sacramento, California 95833.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**MARIN/SONOMA MOSQUITO & VECTOR CONTROL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Last 10 years \***

<b>Measurement Date</b>	<b>6/30/2014</b>	<b>6/30/2015</b>	<b>6/30/2016</b>	<b>6/30/2017</b>
District's proportionate share	1.3670%	1.0675%	1.1722%	1.2260%
Proportionate share of total pension liability	\$30,836,408	\$26,359,459	\$30,203,230	\$32,918,302
Proportionate share of fiduciary net position	<u>27,458,012</u>	<u>22,224,119</u>	<u>24,600,929</u>	<u>28,397,350</u>
<b>Proportionate share of the net pension liability</b>	<b><u>\$3,378,396</u></b>	<b><u>\$4,135,340</u></b>	<b><u>\$5,602,301</u></b>	<b><u>\$4,520,952</u></b>
Plan fiduciary net position as a percentage of the total pension liability	89.04%	84.31%	81.45%	86.27%
Covered payroll	\$3,105,278	\$2,845,790	\$2,856,069	\$3,051,566
Net pension liability as a percentage of covered payroll	108.80%	145.31%	196.15%	148.15%

\* The fiscal year ended June 30, 2015 was the first year of implementation, therefore only four years are shown.

**MARIN/SONOMA MOSQUITO & VECTOR CONTROL DISTRICT**  
**Cost-Sharing Multiple Employer Defined Benefit Retirement Plan**  
**Last 10 Years\***  
**SCHEDULE OF CONTRIBUTIONS**

	<u>Fiscal Year</u> <u>2014 - 2015</u>	<u>Fiscal Year</u> <u>2015 - 2016</u>	<u>Fiscal Year</u> <u>2016 - 2017</u>	<u>Fiscal Year</u> <u>2017 - 2018</u>
Actuarially determined contribution	\$856,583	\$968,417	\$994,927	\$1,041,782
Contributions in relation to the actuarially determined contributions	<u>856,583</u>	<u>968,417</u>	<u>994,927</u>	<u>1,041,782</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered payroll	\$2,845,790	\$2,856,069	\$2,965,789	\$3,051,566
Contributions as a percentage of covered payroll	30.10%	33.91%	33.55%	34.14%

\* The fiscal year ended June 30, 2015 was the first year of implementation, therefore only four years are shown.

**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)**  
**SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS**  
**For the Year Ended June 30, 2018**

**Last Ten Fiscal Years \***

**Other Post-Employment Benefits (OPEB)**

Measurement period	June 30, 2016	June 30, 2017
<b>Total OPEB liability</b>		
Service cost	\$213,000	\$212,000
Interest	618,000	659,000
Differences between expected and actual experience	-	(1,109,000)
Assumption changes	-	1,380,000
Benefit payments, including refunds of employee contributions	(248,000)	(246,000)
<b>Net change in total OPEB liability</b>	583,000	896,000
<b>Total OPEB liability - beginning</b>	8,747,000	9,330,000
<b>Total OPEB liability - ending (a)</b>	\$9,330,000	\$10,226,000
<b>OPEB fiduciary net position</b>		
Contributions - employer	\$417,000	\$624,000
Net investment income	3,000	56,000
Benefit payments, including refunds of employee contributions	(248,000)	(246,000)
Administrative expense	-	-
<b>Net change in plan fiduciary net position</b>	172,000	434,000
<b>Plan fiduciary net position - beginning</b>	120,000	292,000
<b>Plan fiduciary net position - ending (b)</b>	\$292,000	\$726,000
<b>Plan net OPEB liability - ending (a) - (b)</b>	\$9,038,000	\$9,500,000
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	3.13%	7.10%
<b>Covered-employee payroll</b>	\$2,709,398	\$2,747,596
<b>Plan net OPEB liability as a percentage of covered-employee payroll</b>	333.58%	345.76%

\* Historical information is required only for the measurement periods for which GASB 75 is applicable.

**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)  
SCHEDULE OF CONTRIBUTIONS  
For the Year Ended June 30, 2018**

**Last Ten Fiscal Years \***

**Other Post-Employment Benefits (OPEB)**

	2016-17	2017-18
Actuarially determined contribution	\$817,000	\$857,000
Contributions in relation to the actuarially determined contribution	624,000	635,651
Contribution deficiency (excess)	\$193,000	\$221,349
Covered-employee payroll	\$2,747,596	\$2,699,763
Contributions as a percentage of covered-employee payroll	22.71%	23.54%

\* GASB 75 requires this information for plans funding with OPEB trusts be reported in the employer's Required Supplementary Information for 10 years or as many years as are available upon implementation.

**Notes to Schedule:**

Methods and assumptions used to determine contribution rates:

Valuation Date	July 1, 2017
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level percentage of pay
Remaining Amortization	22-year fixed period for 2017/18
Asset Valuation Method	Market value of assets
	Select & Ultimate rate 4.47% in 2015/16 and reaching 7% in 2022/23
Discount Rate	Based on 7% pre-funding rate and 3.75% no pre-funding rate
General Inflation	2.75%
Medical Trend	6.5% for 2017, decreasing to an ultimate rate of 4.75% in 2022 and later years
Mortality	MCERA 6/30/14 Experience Study
Mortality Improvement	Post-retirement mortality projected fully generational with modified Scale MP-14 with convergence to 2022

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## MEMORANDUM ON INTERNAL CONTROL

Board of Trustees  
Marin/Sonoma Mosquito and Vector Control District  
Cotati, California

In planning and performing our audit of the basic financial statements of the Marin/Sonoma Mosquito and Vector Control District as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, Board of Trustees, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads 'Maze & Associates' in a cursive, flowing script.

Pleasant Hill, California  
November 9, 2018