

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30, 2018



**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Northern Salinas Valley Mosquito Abatement District
Salinas, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the Northern Salinas Valley Mosquito Abatement District, (the "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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Northern Salinas Valley Mosquito Abatement District as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Implementation of New Accounting Standard

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – an Amendment of GASB Statement No. 45*, during the year ended June 30, 2018. GASB Statement No. 75 expands disclosures related to other postemployment benefit and requires the District to report the net other post-employment benefit liability in the statement of net position. The adoption of this statement reduced net position by \$203,838 as of July 1, 2017 as disclosed in Note 10. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A), statement of revenues, expenditures and changes in fund balance - budget and actual – general fund, schedule of the District's proportionate share of the net pension liability and related notes to the schedule and, schedule of contributions and related notes to the schedule, and schedule of changes in the net other post-employment benefits (OPEB) liability and related ratios on pages 5-8, and 34-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Northern Salinas Valley Mosquito Abatement District's basic financial statements. The accompanying supplemental schedule – building and equipment on page 40 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental schedule – building and equipment is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedule – building and equipment is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2019, on our consideration of Northern Salinas Valley Mosquito Abatement District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Northern Salinas Valley Mosquito Abatement District's internal control over financial reporting and compliance.



McGilloway, Ray, Brown & Kaufman
Salinas, California
April 4, 2019

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT**

Board of Trustees

June 30, 2018

<u>Member</u>	<u>Office</u>	<u>Area Represented</u>
Jeff Cecilio	Chairman	County of Monterey
Don Cranford	Vice-Chairman	County of Monterey
Nancy Amadeo	Secretary	City of Marina
Layne Buckley	Member	City of Del Rey Oaks
Mary Ann Carbone	Member	City of Sand City
Carl Hansen	Member	County of Monterey
Diane de Lorimier	Member	City of Monterey
Kayla Jones	Member	City of Seaside
Jim Tashiro	Member	City of Salinas

**NORTHERN SALINAS VALLEY MOSQUITO ABATEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

This discussion and analysis of the Northern Salinas Valley Mosquito Abatement District's (NSVMAD) financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the District's basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$3.52 million (net position).
- The District's net position increased by \$197K from the prior year. The major factors contributing to this increase noted in the current year are described on page 6.

OVERVIEW OF THE FINANCIAL STATEMENTS

The District has chosen to present its basic financial statements using the reporting model for special-purpose governments engaged only in a single governmental program. This model allows the fund financial statements and the government-wide statements to be combined. The effect of internal activity between funds or groups of funds has been eliminated from these financial statements.

The financial statements include a Balance Sheet and Statement of Net Position, Statement of Revenues, Expenditures and Changes in Fund Balance and Statement of Activities, Notes to Basic Financial Statements, and Supplemental Schedules consisting of Statement of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual for the General Fund, Schedules of District Proportionate Share of the Net Pension Liability and Related Notes, Schedules of Contributions and Related Notes to the Schedule, Schedule of Funding Progress for Other Post Employment Benefits (OPEB), Building and Equipment Schedule and this Management's Discussion and Analysis. Readers of these financial statements are encouraged to consider the report as a whole to obtain a complete understanding of the District's financial condition.

Statement of Net Position

The Statement of Net Position is a report of the District's assets, liabilities and net position. Assets and liabilities are reported at book value, on an accrual basis as of the statement date. Net position is reported by major categories reflecting any restriction thereon.

Statement of Activities

The Statement of Activities presents the District's revenue earned and expenses incurred during the fiscal year 2017 – 2018 on an accrual basis.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 - 33 of this report.

General Fund Budgetary Highlights

The Budget to Actual – General Fund presents budget to actual variances for the General Fund revenue and expenses. The District had a surplus of budgeted revenues and expenses of \$232K primarily due to greater than expected district tax revenue along with reduced agricultural and professional service expenses.

COMPARATIVE ANALYSIS

Summary of Net Position

A comparative summary of the District's Statement of Net Position as of June 30 are as follows:

	<u>2018</u>	<u>2017 *</u>	<u>Change</u>
Assets:			
Current assets	\$ 3,849,637	\$ 3,520,969	\$ 328,668
Other non-current assets	535,035	515,871	19,164
Capital assets – net of accumulated depreciation	<u>646,196</u>	<u>724,389</u>	<u>(78,193)</u>
Total assets	<u>5,030,868</u>	<u>4,761,229</u>	<u>269,639</u>
Deferred outflow of resources	<u>458,216</u>	<u>338,985</u>	<u>119,231</u>
Liabilities:			
Current liabilities	101,129	23,693	77,436
Other non-current liabilities	<u>1,667,633</u>	<u>1,343,401</u>	<u>324,232</u>
Total liabilities	<u>1,768,762</u>	<u>1,367,094</u>	<u>401,668</u>
Deferred inflow of resources	<u>201,044</u>	<u>207,327</u>	<u>(6,283)</u>
Net position:			
Invested in capital assets:			
Structures and improvements	1,026,198	992,816	33,382
Equipment	1,264,314	1,230,613	33,701
Accumulated depreciation	<u>(1,644,316)</u>	<u>(1,499,040)</u>	<u>(145,276)</u>
Total capital assets	<u>646,196</u>	<u>724,389</u>	<u>(78,193)</u>
Unrestricted	<u>2,873,082</u>	<u>2,801,404</u>	<u>71,678</u>
Total net position	<u>\$ 3,519,278</u>	<u>\$ 3,525,793</u>	<u>\$ (6,515)</u>

* Prior year amounts were not restated to reflect the implementation of GASB 75.

Net position may serve over time as a useful indicator of the District's financial position. At the close of the fiscal year ended June 30, 2018, the District's assets exceeded its liabilities by \$3.52 million.

COMPARATIVE ANALYSIS (Continued)

Statement of Activities

A comparative summary of the District's Statement of Activities for the years ended June 30 is as follows:

	<u>2018</u>	<u>2017 *</u>	<u>Change</u>
Revenues:			
Service revenue	\$ 523,606	\$ 502,918	\$ 20,688
General revenue	<u>1,401,993</u>	<u>1,327,224</u>	<u>74,769</u>
Total revenue	<u>1,925,599</u>	<u>1,830,142</u>	<u>95,457</u>
Expenditures:			
Salaries and employee benefits	1,067,594	915,532	152,062
Services, supplies, and other expenditures	<u>660,682</u>	<u>722,344</u>	<u>(61,662)</u>
Total expenditures	<u>1,728,276</u>	<u>1,637,876</u>	<u>90,400</u>
Excess (deficit) of revenues over expenditures/expenses	<u>197,323</u>	<u>192,266</u>	<u>5,057</u>
Change in net position:			
Net position – beginning	<u>3,321,955</u>	<u>3,333,527</u>	<u>(11,572)</u>
Net position – ending	<u>\$ 3,519,278</u>	<u>\$ 3,525,793</u>	<u>\$ (6,515)</u>

* Prior year amounts were not restated to reflect the implementation of GASB 75.

The increase in revenue can be attributed to an increase in district taxes collected of 5% and service revenue of over 4%. The increase in salaries and employee benefits can be directly attributed to annual cost of living adjustments and an increase in health insurance premiums during the year. The decrease in services, supplies and other expenditures is a result of decreased professional services related to outside bookkeeping and reduced repairs and maintenance related to the building remodel which occurred in the prior year.

Capital Assets

The District's capital assets as of June 30 are as follows:

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Structures and improvements	\$ 1,026,198	\$ 992,816	\$ 33,382
Equipment	<u>1,264,314</u>	<u>1,230,613</u>	<u>33,701</u>
Total capital assets	2,290,512	2,223,429	67,083
Accumulated depreciation	<u>(1,644,316)</u>	<u>(1,499,040)</u>	<u>(145,276)</u>
Total	<u>\$ 646,196</u>	<u>\$ 724,389</u>	<u>\$ (78,193)</u>

Capital assets decreased by \$78,193 over last year's capital asset balance of \$724,389. The decrease consists of capital asset purchases of \$67,083 related to new equipment netted with depreciation expense of \$145,276.

FACTORS AFFECTING FUTURE PERIODS AND OTHER ISSUES

Significant factors noted by management affecting future periods are as follows:

REVENUE AND EXPENSES

During the year, the special assessment fee remained at \$5.98 per parcel with a total of approximately 72,834 parcels assessed by the County Assessors Office. From July 1, 2016 and onward, the parcel fee will be determined by budgetary need. The base benefit assessment fee is \$5.98 for fiscal year 17-18; however, it is subject to rise or fall based on demand for service. This fee shall not remain a static number, will be re-calculated every year, and must be approved not only by the Board of Trustees, but with a civil engineer who prepares an annual report dictating the dollar amount. Overall, revenues and expenses are expected to remain constant for the next few years. The sustained unknown factor will be the financial impact of newly introduced invasive mosquito species to California, capable of transmitting novel diseases to people in this region, and the continued potential for an epidemic of West Nile virus. Mitigation efforts by the District to control either scenario could be astronomical.

ECONOMIC OUTLOOK

The estimated population residing in the 458 square miles within the Northern Salinas Valley Mosquito Abatement District has remained fairly constant over the past year. The number of individuals residing in unincorporated areas of the District approximated 267,000.

In November 2016, the Local Area Formation Commission (LAFCO) increased the District's sphere of influence to include the rest of the county which is the first major step to annex the rest of Monterey County. This move is in preparation for controlling the invasive mosquito population which carries exotic new diseases. The expansion would add an additional 75,000 parcels and 3,000 square miles which would require the District to secure funding through a tax exchange or another Proposition 218 benefit assessment in order to ensure the District has the necessary staff and equipment to support the increase in area. Without proper funding and support, the increased area could be a major liability to the District.

The very knowledgeable Board of Trustees and highly competent staff continue to permit the District to seek new and better ways to carry out its responsibilities. The financial state of California appears to have somewhat stabilized; however, constant vigilance must be maintained in order to best prepare the District for the vagaries of local and state politics.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's accountability for the District's assets. If you have questions about this report or need additional financial information, contact the Northern Salinas Valley Mosquito Abatement District, 342 Airport Boulevard, Salinas, California 93905. Salinas office: (831) 422-6438. Email: info@montereycountymosquito.com

BASIC FINANCIAL STATEMENTS

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT
BALANCE SHEET AND STATEMENT OF NET POSITION
JUNE 30, 2018**

	General Fund	Adjustments (See Note 2)	Statement of Net Position
<u>ASSETS</u>			
ASSETS:			
Cash	\$ 3,068,191	\$ -	\$ 3,068,191
Accounts receivable (net of allowance, \$21,204)	16,799	-	16,799
Prepaid expenses	834	-	834
Interest receivable	11,976	-	11,976
Deposits - insurance	535,035	-	535,035
Certificate of Deposit	751,837	-	751,837
Capital assets, net of accumulated depreciation	-	646,196	646,196
TOTAL ASSETS	\$ 4,384,672	646,196	5,030,868
DEFERRED OUTFLOWS OF RESOURCES-			
Related to pension and OPEB		458,216	458,216
TOTAL DEFERRED OUTFLOWS OF RESOURCES		458,216	458,216
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>			
LIABILITIES:			
Accounts payable	\$ 20,651	-	20,651
Compensated absences - due within one year	-	80,478	80,478
Net OPEB liability	-	311,138	311,138
Net pension liability	-	1,299,076	1,299,076
Compensated absences - due in more than one year	-	57,419	57,419
TOTAL LIABILITIES	20,651	1,748,111	1,768,762
DEFERRED INFLOWS OF RESOURCES-			
Related to Pension and OPEB		201,044	201,044
TOTAL DEFERRED INFLOWS OF RESOURCES		201,044	201,044
FUND BALANCES/NET POSITION			
Fund balances:			
Assigned:			
Deposits	535,035	(535,035)	-
Building and education fund	1,748,128	(1,748,128)	-
Unassigned	2,080,858	(2,080,858)	-
TOTAL FUND BALANCES	4,364,021	(4,364,021)	-
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 4,384,672		
Net Position:			
Invested in capital assets		646,196	646,196
Unrestricted		2,873,082	2,873,082
TOTAL NET POSITION		\$ 3,519,278	\$ 3,519,278

See Notes to Basic Financial Statements.

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT**
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Adjustments (See Note 2)	Statement of Activities
REVENUES:			
Charges for services	\$ 32,798	\$ -	\$ 32,798
Parcel fees	490,808	-	490,808
	<u>523,606</u>	<u>-</u>	<u>523,606</u>
General Revenue:			
Interest income	38,653	-	38,653
District taxes	1,209,698	-	1,209,698
Insurance refunds and interest	15,457	-	15,457
Other income	11,523	-	11,523
Special district taxes	126,662	-	126,662
Total general revenue	<u>1,401,993</u>	<u>-</u>	<u>1,401,993</u>
Total revenues	<u>1,925,599</u>	<u>-</u>	<u>1,925,599</u>
EXPENDITURES/EXPENSES:			
Salaries and employee benefits:			
Salaries	630,780	(1,680)	629,100
Retirement	165,414	60,768	226,182
Other benefits	-	16,272	16,272
Deferred comp employer contribution	4,375	-	4,375
Employee insurance	191,665	-	191,665
Total salaries and employee benefits	<u>992,234</u>	<u>75,360</u>	<u>1,067,594</u>
Services, supplies, and other expenditures:			
Agricultural supplies	110,028	-	110,028
Agricultural services	36,120	-	36,120
Capital asset outlay	67,085	(67,085)	-
Clothing and personal	3,944	-	3,944
Communications	8,492	-	8,492
County - administrative fee	13,850	-	13,850
Contributions	17,297	-	17,297
Educational program	17,945	-	17,945
Depreciation	-	145,276	145,276
Fish culture	2,220	-	2,220
Household expense	10,846	-	10,846
Insurance	44,603	-	44,603
Total forward	<u>332,430</u>	<u>78,191</u>	<u>410,621</u>

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018**

	General Fund	Adjustments (See Note 2)	Statement of Activities
Total forward	\$ 332,430	\$ 78,191	\$ 410,621
EXPENDITURES/EXPENSES (Continued):			
Services, supplies, and other expenditures:			
Maintenance:			
Equipment	31,753	-	31,753
Heavy equipment	37,891	-	37,891
Structures	16,518	-	16,518
Memberships	13,814	-	13,814
Office expense	7,619	-	7,619
Professional and special services	68,891	-	68,891
Rents and leases:			
Equipment	19,692	-	19,692
Structures	12,181	-	12,181
Small tools	228	-	228
Medical and lab	482	-	482
Special district expense	3,001	-	3,001
Transportation and travel	16,373	-	16,373
Trustee board meeting expense	2,192	-	2,192
Utilities	18,018	-	18,018
Miscellaneous expense	1,408	-	1,408
Total services, supplies, and other expenditures	<u>582,491</u>	<u>78,191</u>	<u>660,682</u>
Total expenditures/expenses	<u>1,574,725</u>	<u>153,551</u>	<u>1,728,276</u>
Excess (deficit) of revenues over expenditures/expenses	<u>350,874</u>	<u>(153,551)</u>	
Change in net position			<u>197,323</u>
FUND BALANCE/NET POSITION:			
Beginning of year, as restated (see F/N 10)	<u>4,013,147</u>	<u>(691,192)</u>	<u>3,321,955</u>
End of year	<u>\$ 4,364,021</u>	<u>\$ (844,743)</u>	<u>\$ 3,519,278</u>

See Notes to Basic Financial Statements.

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1. ORGANIZATION AND DESCRIPTION OF DISTRICT

The Northern Salinas Valley Mosquito Abatement District (the District) was organized November 29, 1950, as a mosquito abatement district under the provisions of Chapter V, Division of the California Health and Safety Code by action of the Monterey County Board of Supervisors. The areas encompassed were generally known as Alisal, Castroville, Elkhorn, Spreckels and Salinas. On January 26, 1953, the areas generally known as Seaside, Sand City, Marina, Del Rey Oaks, San Benancio Canyon and Corral de Tierra were annexed to the District by action of its Board of Trustees. On December 14, 1964, the Buena Vista area was added to the District. On April 12, 1993, the City of Monterey was added to the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies:

Basis of Presentation and Accounting –

Basic Financial Statements – The District has chosen to present its basic financial statements using the reporting model for special-purpose governments engaged only in a single governmental program. This model allows the fund financial statements and the government-wide statements to be combined. The effect of internal activity between funds or groups of funds has been eliminated from these financial statements.

Measurement Focus and Basis of Accounting – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, compensated absences are recognized only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds.

Ad valorem tax revenues are recorded under the susceptible to accrual concept. Charges for services, contributions, and miscellaneous revenues are recorded as revenues when received in cash as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available.

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash in County Treasury – Cash accounts which essentially operate as demand deposit accounts are maintained by the Monterey County Treasurer’s Office. Available cash balances are controlled and invested by the County Treasurer in pooled investment funds in order to provide safety, liquidity and high investment returns for all funds. Earnings from these funds are generally credited to the District’s accounts on a quarterly basis. The balances are not insured or collateralized.

The Monterey County Treasurer’s policy is to invest in any security authorized by Section 53635 of the Government Code of the State of California and any other Government Code that permits investments in various securities or participation in investment trading techniques or strategies.

Certificate of Deposit – Certificate of deposit consists of a certificate with an initial maturity of more than three months and is stated at cost, which equates fair market value.

Receivables and Deferred Inflows of Resources – Receivables are amounts due representing revenues earned or accrued in the current period. Receivables which have not been remitted within 60 days subsequent to year end are offset by deferred inflows of resources, and accordingly have not been recorded as revenue in the governmental fund. When the revenue becomes available, the revenue is recognized in the governmental fund. Deferred inflows are detailed on the Balance Sheet.

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. The allowance is based on an assessment of the current status of individual accounts. At June 30, 2018, the allowance was estimated to be \$21,204.

Prepaid Expenses – Prepaid expenses are capitalized and amortized ratably over the period of benefit.

Capital Assets – Asset values are generally recorded on the basis of original cost. If original cost is not available, estimated cost is used or, in the case of gifts, the fair market value at the time of receipt is used. Initial depreciation was recorded in the initial year of adopting GASB No. 34, by using the mid–point as the current life of each class of assets. Depreciation was determined on the straight line method by using the following lives:

Buildings	40 Years
Leasehold Improvements	15 Years
Vehicles	5 Years
Office equipment	5 Years
All other equipment	7 Years

Fair Value Measurement – 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 the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2018, all of the District’s investments are non-leveled.

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has deferred outflows and inflows as described in Notes 6 and 7. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences – District employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Accumulated vacation pay will be paid upon termination of employment. Vacation time may be accumulated or postponed. The total accumulated vacation time shall not exceed 30 days after December 31 of any given year. Upon retirement, 100% of sick leave may be converted to retirement service credit or an employee shall be compensated for 1/3 of his/her accumulated sick leave at straight time rate of pay. Upon resignation an employee shall be compensated for 1/3 of his/her accumulated sick leave.

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

Property Taxes – The County is responsible for the assessment, collection, and apportionment of property taxes for all taxing jurisdictions, including the District. Secured property taxes for each year ended June 30 are payable in equal installments on November 1 and February 1, and become delinquent on December 10 and April 10, respectively. The lien date is January 1 of each year. Property taxes are accounted for as collected and remitted by the County in the governmental funds. Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid on August 31.

Fund Accounting – The accounts of the District are organized on the basis of a fund which is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures as appropriate. The District has only one major fund – the General Fund.

General Fund – Assigned for Deposits – The District has established a deposit fund to recognize that insurance deposits are not immediately available for general operations. Only after they have been refunded by the insurance organization are they available to the District.

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fund – Assigned Building and Education Fund – The District has established a Building and Education Fund for the purposes of facility improvement, replacement, lease payments and the educational assistance of staff. All funds in excess of 75% of the budget shall be deposited in the reserved fund. Expenditures from the fund may be expended only upon a 4/5 vote of the Board of Trustees.

Net Position – The District’s net position is classified into the following categories:

- **Investment in Capital Assets** – Capital assets.
- **Unrestricted** – The remainder of the District’s net position is classified as unrestricted. Unrestricted financial assets may be designated by management for use for particular purposes. However, such designation is not a restriction of net financial assets and is therefore not reported in the financial statements.

Adjustments to Convert Fund Balances to Government Wide – The Adjustments needed to adjust the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances of the District to an accrual basis which consists of a Statement of Net Position and Statement of Activities is as follows:

Reconciliation of balance sheet to statement of net position:

Total fund balance per fund financial statements	\$ 4,364,021
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	646,196
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows	458,216
Deferred inflows	(201,044)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,748,111)</u>
Net position for governmental activities	<u>\$ 3,519,278</u>

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reconciliation of statement of revenues, expenditures and changes in fund balances to statement of activities:

Net change in fund balances per fund financial statements	\$ 350,874
Capital outlays are reported as expenditures in the fund financial statements because they use current financial resources but the cost of those capital assets is allocated over their estimated useful lives and reported as depreciation expense are reported as capital assets in the statement of activities:	
Capital outlay	67,085
Depreciation	(145,276)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	1,680
OPEB Costs	(16,272)
Current year pension cost difference	(60,768)
Change in net position for governmental activities	\$ 197,323

Fund Balance – In the fund financial statements, government funds report the following fund balance classification:

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

Restricted includes amount that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed includes amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest authority, the Board of Trustees. The formal action that is required to be taken to establish, modify or rescind a fund balance commitment is through Board resolution.

Assigned includes amounts are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by Board of Trustees which has the authority to remove or change the assignment of the funds with a simple majority vote.

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unassigned includes the residual amounts that have not been restricted, committed or assigned to specific purposes within the general fund.

When restricted and other fund balance resources are available for use, it is the District's policy to use restricted resources first, followed by committed, assigned and unassigned amounts, respectively.

The fund balance of the District's governmental fund is classified as assigned and unassigned as presented on the balance sheet on Page 9.

Revenues – The County administers the District's revenue. The County bills and collects revenues through benefit assessments to property tax billings. In addition, the District receives a percentage of the 1% property tax ad valorem rate. All receipts are deposited directly into the County's pooled cash fund for the District, after charging the District an administration fee of \$13,850. The District also provides abatement services to cities and counties outside of their jurisdiction, businesses, and individuals which are invoiced and collected by the District.

Taxes on Income – The District is a California local government unit which is exempt from both federal and state income taxes.

Budget – The District's Board of Trustees approve the initial budget and subsequent changes during the year. The amended budget amounts in the financial statements are the final amounts approved by the Board of Trustees. The budget amounts reflected in the financial statements are prepared on a cash basis which does not substantially differ from the amounts the District would have reported on the modified accrual basis.

Effects of New Pronouncements - In June 2015, Governmental Accounting Standards Board (GASB) issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans that are within their respective scopes. This Statement improves the usefulness and comparability of information about pensions by establishing a single framework for the presentation of pensions. There was no significant effect on the financial statements due to the implementation.

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement replaces Statements No. 43 and No. 57 related to postemployment benefits other than pensions, as well as includes requirements for defined contribution Other Post-Employment Benefit (OPEB) plans that replace the requirements for those OPEB plans in Statement No. 25, No. 43, and No. 50. Statement No. 74 establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The District implemented this Statement in fiscal year 2017. There was no significant effect on the financial statements due to the implementation.

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statements No. 45 and No. 57 related to postemployment benefits other than pensions. Statement No. 75 establishes new accounting and financial reporting requirements for OPEB plans. The requirements of this Statement will improve the decision-usefulness of information in employer and governmental non-employer contributing entity financial reports and will enhance its value for assessing accountability and inter-period equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. The District implemented these Statements in fiscal year 2018. As a result of the implementation, the District reported a prior period adjustment to net position in the amount of \$203,838 and recognized a net OPEB liability and deferred outflows of resources and deferred inflows of resources associated with the OPEB liability as of June 30, 2015.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2017. The District implemented this Statement in fiscal year 2017. There was no significant effect on the financial statements due to the implementation.

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statements Issued but not yet Effective – The Governmental Accounting Standards Board (GASB) has released the following new standards which are not yet effective.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefore. This Statement requires similar disclosures for a government's minority shares of AROs. The requirements in this Statement are effective for fiscal years beginning after June 15, 2018. Earlier application is encouraged. The District has no plan for early implementation of this Statement. At this time the District is not certain of the effect the adoption of Statement No. 83 will have on the accompanying financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for fiscal years beginning after June 30, 2020. Earlier application is encouraged. The District has no plan for early implementation of this Statement. At this time the District is not certain of the effect the adoption of Statement No. 87 will have on the accompanying financial statements.

Use of Estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from those estimates.

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 3. CASH AND DEPOSITS

Cash in County Treasury – The District maintains substantially all of its cash in the Monterey County Treasury (the Treasury) as part of the common investment pool. Participants’ equity in the investment pool is determined by the dollar amount of the participant deposits, adjusted for withdrawals and distributed income. This method differs from the fair value method used to value investments in these financial statements in that unrealized gains or losses are not distributed to pool participants. The value of the District’s deposits in this pool as of June 30, 2018, as provided by the pool sponsor was \$2,926,052. The Treasury Investment pool does not have a rating provided by a nationally recognized statistical rating organization.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment; generally, the longer the maturity of an investment, the greater the sensitivity of its fair values to changes in market interest rates. As of June 30, 2018, the weighted average maturity of the investments contained in the Treasury Investment pools was approximately 398 days.

Credit Risk - Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by nationally recognized statistical rating organization. The Monterey County investment pool does not have a rating provided by a nationally recognized statistical rating organization. Approximately 85% of the investment portfolio is comprised of U.S. Treasuries, Federal Agency securities, and negotiable other liquid funds. All of those assets have an investment grade rating. U.S. Treasuries are not specifically rated, but are considered the safest of all investments. All corporate debt (approximately 15% of the portfolio) is rated in the higher levels of investment grade and all federal agency securities have AA ratings, or they are guaranteed by the U.S. Treasury.

Custodial Credit Risk — The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District has no formal policy regarding custodial credit risk for deposits or investments. The District maintains a checking account with Comerica and uses this account as the operating account for the District. At June 30, 2018, the District’s bank balance was \$141,839 and was not exposed to custodial credit risk. The deposits at Comerica are insured by the Federal Deposit Insurance Corporation (FDIC) up to the amount of \$250,000. The deposits are also collateralized at 110% by U.S. Treasury obligations and Municipal securities by pledging the bank’s trust department not in the District’s name.

Concentration of Credit Risk — This is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The District manages this risk by placing funds with financial institutions that are insured and by the fact that the monies in the Monterey County Treasury are diverse according to the policies of the investment pool. The Monterey County Treasury’s investment policy may be obtained from the Comprehensive Annual Financial Report on the County of Monterey website.

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 3. CASH AND DEPOSITS (Continued)

Certificate of Deposit – The District invested \$700,000 in a certificate of deposit earning interest at a rate of 1.5% maturing on July 19, 2018. The certificate of deposit is FDIC insured up to \$250,000. The fair market value of the District’s certificate of deposit as of June 30, 2018 was \$751,837.

Credit Rating – Summarized below are the ratings of the District’s cash and investments:

Issuers	<u>Fair Value</u>	<u>S&P</u>	<u>Moody's</u>	<u>% of Total</u>
Cash in County Treasury	\$ 2,926,052	NR	NR	76.60%
Comerica Bank	<u>893,676</u>	<u>A-/A-2</u>	<u>Aa3</u>	<u>23.40%</u>
Total	<u>\$ 3,819,728</u>			<u>100.0%</u>

NOTE 4. CAPITAL ASSETS - NET

The following is a summary of changes in capital assets for the year ended June 30, 2018:

	<u>June 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2018</u>
Structures and improvements	\$ 992,816	\$ 33,382	\$ –	\$ 1,026,198
Equipment	1,230,613	33,701	–	1,264,314
Accumulated depreciation	<u>(1,499,040)</u>	<u>(145,276)</u>	<u>–</u>	<u>(1,644,316)</u>
Total	<u>\$ 724,389</u>	<u>\$ (78,193)</u>	<u>\$ –</u>	<u>\$ 646,196</u>

NOTE 5. LONG-TERM LIABILITIES

General long-term liability balances and transactions for the fiscal year ended June 30, 2018 are as follows:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Compensated absences	\$ 139,577	\$ 75,883	\$ (77,563)	\$ 137,897	\$ 80,478
OPEB liability	96,488	217,574	(2,924)	311,138	–
Net pension liability	<u>1,107,336</u>	<u>842,272</u>	<u>(650,532)</u>	<u>1,299,076</u>	<u>–</u>
Total	<u>\$ 1,343,401</u>	<u>\$ 1,135,729</u>	<u>\$ (731,019)</u>	<u>\$ 1,748,111</u>	<u>\$ 80,478</u>

In prior years, the General Fund has been used to liquidate compensated absences.

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 6. PENSION PLAN

CalPERS

Plan Description – The District contributes to the California Public Employees’ Retirement System (CalPERS), cost sharing multiple-employer defined benefit pension plan on behalf of all full time employees of the District. The District’s plan is of the Miscellaneous 2% at 55 Risk Pool. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provision and all other requirements are established by state statute. Copies of CalPERS’ annual financial report may be obtained from the CalPERS website.

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. PEPRAs Miscellaneous members become eligible for Service Retirement upon attainment of age 52 with at least 5 years of service. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees’ Retirement Law.

On September 12, 2012 the California Public Employees’ Pension Reform Act of 2013 (PEPRA) was signed into law. PEPRA took effect January 1, 2013 and affects new CalPERS members on or after January 1, 2013 through provisions affecting benefit formulas, the definition of what comprises pensionable earning, limits on pensionable earnings, and other matters. The new law calls for new employees to pay 50 percent of the normal cost of benefits. The District had three employees subject to the new PEPRA formulas as of June 30, 2018.

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

<u>Hire date</u>	Miscellaneous	
	<u>Prior to January 1, 2013</u>	<u>On or after January 1, 2013</u>
Benefit formula	2% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	7%	6.55%
Required employer contribution rates	8.88%	6.3%

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 6. PENSION PLAN (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 July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2018, the employer contributions to the Plan were as follows:

	<u>Miscellaneous</u>
Contributions - employer	\$ <u>101,642</u>

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 as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous	\$ <u>1,299,076</u>
Total Net Pension liability	\$ <u>1,299,076</u>

The District’s net pension liability for its Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2017, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 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 measurement date June 30, 2016 and 2017 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2017 measurement date	0.0333%
Proportion - June 30, 2016 measurement date	<u>0.0319%</u>
Change - Increase (Decrease)	<u>0.0014%</u>

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 6. PENSION PLAN (Continued)

For the year ended June 30, 2018, the District recognized pension expense of \$162,410. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions made Subsequent to the Measurement Date	\$ 101,642	\$ —
Adjustment due to Differences between Actual and Proportionate Share of Contributions	—	95,524
Adjustment due to Differences in Proportions	71,770	46,774
Changes of Assumptions	222,088	16,935
Difference between Expected and Actual Experience	1,791	25,644
Net Difference between Projected and Actual Earnings on Investments	<u>50,229</u>	<u>—</u>
Total	<u>\$ 447,520</u>	<u>\$ 184,877</u>

Deferred outflows of resources in the amount of \$101,642 were reported related to contributions subsequent to the measurement date and 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 of June 30 as follows:

<u>Year Ended June 30</u>	
2019	\$ 5,973
2020	124,698
2021	60,150
2022	<u>(29,820)</u>
Total	<u>\$ 161,001</u>

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 6. PENSION PLAN (Continued)

Actuarial Assumptions – The total pension liabilities as of June 30, 2018 were determined using the following actuarial assumptions:

	Miscellaneous
Valuation date	June 30, 2016
Measurement date	June 30, 2017
Actuarial cost method	Entry-Age Normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.75%
Salary Increases	Varies by entry age and service
Mortality Rate Table	Derived using CalPERS' specific Membership data for all Funds (1)
 Post Retirement Benefit	 Contract COLA up to 3.00% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 3.00% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using society of Actuaries Scale BB.

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study can be found on the CalPERS website.

Change of Assumption – There were no changes in assumptions.

Discount Rate – The discount rate used to measure the total pension liability was 7.15 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employee Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 6. PENSION PLAN (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10(1)</u>	<u>Real Return Years 11+(2)</u>
Global Equity	51.0%	5.25%	5.71%
Global Fixed Income	20.0%	1.00%	2.40%
Real assets	12.0%	4.50%	5.10%
Private Equity	10.0%	6.80%	7.00%
Inflation Sensitive	6.0%	0.50%	3.40%
Liquidity	1.0%	(0.60%)	(1.10%)
Total	<u>100%</u>		

- (1) An expected inflation of 2.5% used for this period.
(2) An expected inflation of 3.0% used for this period.

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 6. PENSION PLAN (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents District’s proportionate share of the net pension liability, calculated using the discount rate, as well as what 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:

Measurement date: June 30, 2017
Fiscal year end: June 30, 2018

	<u>Miscellaneous</u>
1% Decrease Net pension liability	6.15% \$ 2,031,141
Current discount rate Net pension liability	7.15% \$ 1,299,076
1% Increase Net pension liability	8.15% \$ 692,766

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

Deferred Compensations Plan – Employees of the District are eligible to participate in a deferred compensation plan adopted under the provision of Internal Revenue Code 457(b). Under the plan, employee may elect to defer a portion of their salaries before taxes.

The deferred compensation amount is not available for withdrawal by employees until termination of employment, death, disability or financial hardship. Participants can elect to contribute an amount generally not to exceed limits established by the Internal Revenue Service.

The District matches 25% of the employees’ contributions. For the year ended June 30, 2018 the District’s match paid totaled \$4,375.

NOTE 7. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – The District has medical coverage currently contracted with CalPERS as permitted under the Public Employees’ Medical and Hospital Care Act (PEMHCA). The Plan provides for continuation of medical insurance benefits for certain retirees or annuitant and their dependents. The Plan can be amended by action of the District Board on passing a Resolution. Non-Medicare premiums were \$796 and Medicare eligible premiums were \$366. Retirees pay blended medical premiums rather than expected medical costs by age and gender and active premiums subsidize non-Medicare eligible retiree medical costs as implied subsidies. Under PEMHCA, the District is required to contribute toward medical coverage for the retiree’s lifetime or until coverage is otherwise discontinued. The District is classified as a single employer plan.

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Employees Covered – As of June 30, 2016 actuarial valuation, there were six active employees, one covered retiree, and one retiree entitled to but not receiving benefits. The plan covers active and retired employees and their spouse.

Contributions – The contributions of the District are established by the passing of a resolution. The monthly contributions as of fiscal year 2018 were \$133 per month. Cash subsidy and implied subsidy benefit payments and PEMCHA fees are currently paid with District assets on a pay-as-you-go basis. For the fiscal year ended June 30, 2018, the District’s pay-as-you-go payments were \$1,518 and the estimated implied subsidy was \$5,054 resulting in total payments of \$6,572.

Net OPEB Liability/(Asset) – The District’s net OPEB liability/(Asset) was measured as of June 30, 2017 and the total OPEB liability used to calculate the net OPEB liability/(Asset) was determined by an actuarial valuation dated June 30, 2016 based on the following actuarial methods and assumptions:

Actuarial Assumptions:

Discount Rate	2.68% as of June 30, 2016 3.13% as of June 30, 2017
Inflation	2.75%
Salary Increases	3.25%
Mortality Rate (1)	Derived using CalPERS’ Membership Data for all funds
Pre-Retirement Turnover (1)	Derived using CalPERS’ Membership Data for all funds
Healthcare Trend Rate	7.50% decreasing to 5.00%

Notes:

- (1) Demographic actuarial assumptions used in this valuation are based on the 2014 experience study of the California Public Employees Retirement System using data from 1997 to 2011, except for a different basis used to project future mortality improvements. Future mortality rates were projected using the MacLeod Watts Scale 2014.

Discount Rate – The discount rate used to measure the total OPEB liability was 3.13%. For pay-as-you-go plans, the rate of return is based on a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Changes in the Net OPEB Liability/(Asset) – The changes in the net OPEB liability/(Asset) for the District are as follows:

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability/(Asset)</u>
Balance at June 30, 2016	\$ 306,909	\$ –	\$ 306,909
<i>Changes recognized for measurement period:</i>			
Service cost	21,187	–	21,187
Interest cost	8,705	–	8,705
Expected investment income	–	–	–
Employer contributions	–	6,572	(6,572)
Changes of benefit terms	–	–	–
Benefit payments	(6,572)	(6,572)	–
Assumption changes	(19,091)	–	(19,091)
Plan experience	–	–	–
Investment experience	–	–	–
Recognized deferred resources	–	–	–
Employer contributions subsequent to measurement date	–	–	–
<i>Net Changes</i>	<u>4,229</u>	<u>–</u>	<u>4,229</u>
Balance at June 30, 2017	<u>\$ 311,138</u>	<u>\$ –</u>	<u>\$ 311,138</u>

Sensitivity of the Net OPEB Liability/(Asset) to Changes in the Discount Rate –

The following presents the net OPEB liability/(Asset) of the District if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2017:

	<u>1% Decrease (2.13%)</u>	<u>Current Discount Rate (3.13%)</u>	<u>1% Increase 4.13%</u>
Net OPEB Liability/(Asset)	\$ 356,552	\$ 311,138	\$ 275,184

Sensitivity of the Net OPEB Liability/(Asset) to Changes in Health Care Cost Trend Rates

The following presents the net OPEB liability/(Asset) of the District if it were calculated using the health care cost trend rates that are one percentage point lower or one percentage point higher than the current rate, for the measurement period ended June 30, 2017:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Net OPEB Liability/(Asset)	\$ 264,654	\$ 311,138	\$ 393,669

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 7. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

Recognition of Deferred Outflows and Deferred Inflows of Resources – Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 years
All other amounts	Expected average remaining service lifetime (EARSL) (6.53 years at June 30, 2017)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the fiscal year ended June 30, 2018, the District recognized OPEB expense of \$26,968. As of fiscal year ended June 30, 2018, the District reported deferred outflows/inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Changes of assumptions	\$ –	\$ 16,167
Contributions made subsequent to the measurement date	<u>10,696</u>	<u>–</u>
Total	<u>\$ 10,696</u>	<u>\$ 16,167</u>

The \$10,696 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2017 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2019. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

<u>Fiscal Year Ended June 30:</u>	<u>Deferred Outflows/(Inflows) Of Resources</u>
2019	\$ (2,924)
2020	\$ (2,924)
2021	\$ (2,924)
2022	\$ (2,924)
2023	\$ (2,924)
Thereafter	\$ (1,547)

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 8. JOINT POWERS AGREEMENTS

Vector Control Joint Powers Agency – The Northern Salinas Valley Mosquito Abatement District (District) participates in the Vector Control Joint Powers Agency (VCJPA). The agency was formed for the purpose of funding and developing programs to provide various insurance coverage for its members, mosquito abatement and vector control districts in California. As of June 30, 2018, there were 35 member districts. The District is not exposed to any risk due to their participation in VCJPA as settled claims have not exceeded coverage and the financial condition of the VCJPA is strong.

The VCJPA offers programs in three major areas: group purchased insurance, workers' compensation, and general liability. Each of the programs offered may be insured, partially self-insured or fully self-insured as determined by a majority of the member districts. Both the comprehensive general/automobile liability and workers' compensation coverage are partially self-insured and each district is required to obligate itself to participate in these programs for a minimum of three program years.

Group Purchased Insurance – During the year ended June 30, 2018, the District participated in Group Purchased Insurance coverage for property damage, boiler and machinery, business travel accident, and underground storage tank.

Workers' Compensation – Under the Workers' Compensation Program the District selected a self-insured retention (SIR) level of \$25,000. Losses between the self-insured retention and the VCJPA's excess insurance attachment point are pooled. The VCJPA's current self-insured retention is \$250,000 per occurrence. Coverage above the VCJPA self-insured retention is provided by an excess pool which self-insures a layer of \$250,000 in excess of \$250,000 and purchases an excess insurance policy with statutory limits for coverages above the \$500,000. Although premiums billed to the District are determined on an actuarial basis, ultimate liability for claims below the SIR remains with the District. Each program year is retrospectively adjusted commencing three years after the end of the program year and annually thereafter until the program year is closed.

A Workers' Compensation Aggregate Pool was established to set a level beyond which no further losses of a program year may be charged to the districts. The monies contributed to the Aggregate Pool are commingled into a single fund which will continue to grow from year to year. It is the goal of the VCJPA to create a pool which has at least \$1,000,000. The deposit premium for the pool has been established as 1% of each district's annual payroll each year to a maximum of \$5,000 per year.

General Liability – The Liability Pooling Program was established for general liability, auto liability, and losses from pesticide spraying operations. The Liability Program operates under similar principles as the Workers' Compensation Program. A self-insured retention level of \$2,500 was selected by the District with the VCJPA's SIR at \$250,000 with excess coverage of \$750,000 above the \$250,000 SIR and an umbrella insurance policy with limits of \$10,000,000 in excess of \$1,000,000. Ultimate liability for pooled claims below the SIR remains with the respective districts. A retrospective adjustment is made commencing four years after the end of the program and until program year is closed.

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 8. JOINT POWERS AGREEMENTS (Continued)

A Liability Aggregate Pool was established to set a level beyond which no further losses of a program year may be charged to the districts. The monies contributed to the Aggregate Pool are commingled into a single fund which will continue to grow from year to year. It is the goal of the VCJPA to create a pool which has at least \$1,000,000. The deposit premium for the pool has been established as 0.75% of each district's annual payroll each year.

The District's total premium cost to the VCJPA for the year ended June 30, 2018 was \$44,603.

The VCJPA can be contacted directly for additional financial information. Separate financial statements of VCJPA can be obtained at: 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833.

NOTE 9. OPERATING LEASE COMMITMENTS

The District leases land under an operating lease with the City of Salinas. The agreement expires June 30, 2019 and the District has the option to extend for one 10-year period. Monthly rent payments are adjusted every two and one half years based on the Consumer Price Index. The rent expense for the year ended June 30, 2018 was \$12,182. The District leases a copier under an operating lease with MBS. The agreement expired March 5, 2017. The District signed a new lease for a copier with MBS on May 26, 2017 which expires on May 25, 2022. Rent expense for the year was \$199.99 (plus tax), plus \$60.67 per month for copies and service from May 26, 2016 through May 25, 2018.

The following is a schedule of future minimum rental payments required under the above non-cancelable operating leases:

Year ending June 30

2019	\$ 14,581
2020	2,400
2021	2,400
2022	<u>2,200</u>
Total	<u>\$ 21,581</u>

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 10. PRIOR PERIOD ADJUSTMENT

Net position at June 30, 2017	<u>\$ 3,525,793</u>
Implementation of GASB 75:	
Net OPEB liability (measurement date)	(306,909)
Recognition of remaining prepaid CalPERS included in liability	96,699
Deferred outflows – PERS contributions made during fiscal year ended 2017	<u>6,372</u>
Prior period adjustment	<u>(203,838)</u>
Restated net position at June 30, 2017	<u>\$ 3,321,955</u>

NOTE 11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 4, 2019, which is the date the financial statements were available to be issued.

**REQUIRED
SUPPLEMENTARY INFORMATION**

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget	General Fund	
REVENUES:				
Services	\$ 11,500	\$ 11,500	\$ 32,798	\$ 21,298
Parcel fees	495,370	495,370	490,808	(4,562)
	<u>506,870</u>	<u>506,870</u>	<u>523,606</u>	<u>16,736</u>
Other:				
Interest income	19,000	19,000	38,653	19,653
District taxes	1,179,209	1,179,209	1,209,698	30,489
Insurance refunds and interest	-	-	15,457	15,457
Other income	-	-	11,523	11,523
Special district revenues	110,000	110,000	126,662	16,662
Total other	<u>1,308,209</u>	<u>1,308,209</u>	<u>1,401,993</u>	<u>93,784</u>
Total revenues	<u>1,815,079</u>	<u>1,815,079</u>	<u>1,925,599</u>	<u>110,520</u>
EXPENDITURES:				
Salaries and employee benefits:				
Salaries	630,000	630,000	630,780	(780)
Retirement	173,812	173,812	165,414	8,398
Deferred comp employer contribution	15,000	15,000	4,375	10,625
Employee insurance	190,000	190,000	191,665	(1,665)
Total salaries and employee benefits	<u>1,008,812</u>	<u>1,008,812</u>	<u>992,234</u>	<u>16,578</u>
Services, supplies, and other expenditures:				
Agricultural supplies	110,000	110,000	110,028	(28)
Agricultural services	75,000	75,000	36,120	38,880
Clothing and personal	4,500	4,500	3,944	556
Communications	7,000	7,000	8,492	(1,492)
County - administrative fee	13,000	13,000	13,850	(850)
Contributions	14,000	14,000	17,297	(3,297)
Educational program	21,500	21,500	17,945	3,555
Fish culture	3,000	3,000	2,220	780
Household expense	10,000	10,000	10,846	(846)
Insurance	52,000	52,000	44,603	7,397
Total forward	<u>310,000</u>	<u>310,000</u>	<u>265,345</u>	<u>44,655</u>

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT**
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance
	Original Budget	Final Budget	General Fund	
Total forward	\$ 310,000	\$ 310,000	\$ 265,345	\$ 44,655
EXPENDITURES (Continued):				
Services, supplies, and other expenditures:				
Maintenance:				
Equipment	35,000	35,000	31,753	3,247
Heavy equipment	30,000	30,000	37,891	(7,891)
Structures	5,000	5,000	16,518	(11,518)
Medical and lab supplies	1,000	1,000	482	518
Memberships	16,000	16,000	13,814	2,186
Office expense	5,100	5,100	7,619	(2,519)
Professional and special services	136,000	136,000	68,891	67,109
Publications and legal notices	300	300	-	300
Rents and leases:				
Equipment	11,000	11,000	19,692	(8,692)
Structures	12,000	12,000	12,181	(181)
Small tools	1,500	1,500	228	1,272
Special district expense	8,000	8,000	3,001	4,999
Transportation and travel	28,750	28,750	16,373	12,377
Trustee board meeting expense	2,800	2,800	2,192	608
Utilities	17,600	17,600	18,018	(418)
Miscellaneous expense	-	-	1,408	(1,408)
Total services, supplies, and other expenditures	<u>620,050</u>	<u>620,050</u>	<u>515,406</u>	<u>104,644</u>
Capital asset outlay	<u>28,000</u>	<u>28,000</u>	<u>67,085</u>	<u>(39,085)</u>
Contingencies	<u>40,000</u>	<u>40,000</u>	<u>-</u>	<u>40,000</u>
Total expenditures	<u>1,696,862</u>	<u>1,696,862</u>	<u>1,574,725</u>	<u>122,137</u>
Excess (deficit) of revenues over expenditures	<u>\$ 118,217</u>	<u>\$ 118,217</u>	<u>\$ 350,874</u>	<u>\$ 232,657</u>

See Notes to Required Supplementary Information.

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

NOTE 1. BUDGETARY DATA

The District adopts an annual legal budget, which covers all the District's funds. The budget is prepared on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. A mid-year budget review is performed, if necessary, and the budget is amended, as needed.

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT**
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(LAST 10 YEARS*)
AND RELATED NOTES TO THE SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

Fiscal Year	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered employee payroll	Proportionate share of the net pension liability as percentage of covered employee payroll	Plan's fiduciary net position as a percentage of the total pension liability
<u>2015</u>					
Miscellaneous Plan	0.01236%	\$ 769,357	\$ 458,220	167.90%	83.03%
<u>2016</u>					
Miscellaneous Plan	0.02973%	\$ 815,690	\$ 458,220	178.01%	80.80%
<u>2017</u>					
Miscellaneous Plan	0.03188%	\$ 1,107,336	\$ 511,750	216.38%	77.33%
<u>2018</u>					
Miscellaneous Plan	0.03295%	\$ 1,299,076	\$ 547,736	237.17%	75.59%

Notes to Schedule:

Changes in assumptions –

In 2018, the discount rate was changed from 7.65 percent to 7.15 percent net of investment administrative expenses.

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT**
SCHEDULE OF CONTRIBUTIONS AND RELATED NOTES TO THE SCHEDULE
(LAST 10 YEARS*)
FOR THE YEAR ENDED JUNE 30, 2018

<u>Fiscal Year</u>	<u>Contractually required contribution (actuarially determined)</u>	<u>Contributions in relation to the actuarially determined contributions</u>	<u>Contribution deficiency (excess)</u>	<u>Covered employee payroll</u>	<u>Contributions as a percentage of covered employee payroll</u>
<u>2015</u>					
Miscellaneous Plan	\$ 50,080	\$ 50,080	\$ -	\$ 458,220	10.93%
<u>2016</u>					
Miscellaneous Plan	\$ 75,080	\$ 75,080	\$ -	\$ 511,750	14.67%
<u>2017</u>					
Miscellaneous Plan	\$ 85,313	\$ 85,313	\$ -	\$ 547,736	15.58%
<u>2018</u>					
Miscellaneous Plan	\$ 101,642	\$ 101,642	\$ -	\$ 624,360	16.28%

* Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT**
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

Measurement Period	<u>2017</u>
Total OPEB Liability	
Service cost	\$ 21,187
Interest	8,705
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions	(19,091)
Benefit payments	(6,572)
Total OPEB liability – beginning	<u>306,909</u>
Total OPEB liability – ending (a)	<u>\$ 311,138</u>
 Plan fiduciary net position	
Contributions – employer	\$ 6,572
Net investment income	-
Benefit payments	(6,572)
Net change in plan fiduciary net position	-
Plan fiduciary net position – beginning	<u>-</u>
Plan fiduciary net position – ending (b)	<u>\$ -</u>
 Net OPEB liability – ending (a) – (b)	<u>\$ 311,138</u>
 Covered employee payroll	\$ 547,736
Net OPEB liability/(asset) as a percentage of covered-employee payroll	(56.80)%

Notes to Schedule:

Historical information is required only for measurement periods for which GASB 75 is applicable. Future years' information will be displayed up to 10 years as information becomes available.

SUPPLEMENTARY SCHEDULE

**NORTHERN SALINAS VALLEY
MOSQUITO ABATEMENT DISTRICT
BUILDING AND EQUIPMENT
JUNE 30, 2018**

	Amount June 30, 2017	Additions/ Transfers	Disposals	Amount June 30, 2018
STRUCTURES AND IMPROVEMENTS:				
Building	\$ 992,816	\$ 33,382	\$ -	\$ 1,026,198
Accumulated depreciation	(517,204)	(43,995)	-	(561,199)
Net Structures and Improvements	475,612	(10,613)	-	464,999
EQUIPMENT:				
Vehicles	390,628	-	-	390,628
Spray equipment	57,164	-	-	57,164
Shop equipment	71,541	3,756	-	75,297
Office equipment	176,345	1,737	-	178,082
Lab equipment	56,991	-	-	56,991
Drainage equipment	314,714	-	-	314,714
Other equipment	163,230	28,208	-	191,438
Total Equipment Cost	1,230,613	33,701	-	1,264,314
Accumulated depreciation	(981,836)	(101,281)	-	(1,083,117)
Net Equipment	248,777	(67,580)	-	181,197
Total Cost	2,223,429	67,083	-	2,290,512
Total Accumulated Depreciation	(1,499,040)	(145,276)	-	(1,644,316)
Net Structures, Improvements and Equipment	\$ 724,389	\$ (78,193)	\$ -	\$ 646,196



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831-373-3337
Fax 831-373-3437

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

To the Board of Trustees
Northern Salinas Valley Mosquito Abatement District
Salinas, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of the Northern Salinas Valley Mosquito Abatement District (the "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, and have issued our report thereon dated April 4, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



McGilloway, Ray, Brown & Kaufman
Salinas, California
April 4, 2019