

SHASTA MOSQUITO AND VECTOR
CONTROL DISTRICT
Anderson, California

FINANCIAL STATEMENTS AND SUPPLEMENTARY
INFORMATION WITH INDEPENDENT AUDITORS' REPORTS

June 30, 2014



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TABLE OF CONTENTS

June 30, 2014

*Shasta Mosquito and
Vector Control District*

	Page Number
Independent Auditors' Report	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)	4
FINANCIAL SECTION	
Statement of Net Position and Governmental Funds Balance Sheet	10
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balance	11
Notes to the Financial Statements	12
REQUIRED SUPPLEMENTARY INFORMATION SECTION	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	25
Note to the Required Supplementary Information	26
OTHER REPORT SECTION	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	28
FINDINGS SECTION	
Schedule of Findings	31



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Shasta Mosquito and Vector Control District
Anderson, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Shasta Mosquito and Vector Control District (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's *Minimum Audit Requirements for California Special Districts*. 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 auditors' 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 opinions.

INDEPENDENT AUDITORS' REPORT

Continued

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 each major fund of the District as of June 30, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 25 through 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the District's internal control over financial reporting and compliance.

KCoe Team, LLP

February 17, 2015
Redding, California

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

*Shasta Mosquito and
Vector Control District*

INTRODUCTION

As management of the Shasta Mosquito and Vector Control District ("District"), we offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities during the fiscal year ending June 30, 2014. Please read it in conjunction with the District's financial statements and accompanying notes to those financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position decreased 8% or \$287,348 to \$3,810,219 in 2014 as a result of the years' operations.
- In 2014, the District's program revenues increased by 2% or \$21,003 to \$1,146,513 due an increase in the rate for benefit assessment area 2.
- In 2014, total general revenues from all sources decreased by \$196,807 due to the end of RDA dissolution revenues.
- In 2014, total expenses decreased by only \$15,223.

USING THIS FINANCIAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by the private sector companies. The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Activities. This statement measures the success of the District's operations over the past year and can be used to determine the District's net operating reserves and credit worthiness.

DISTRICT ACTIVITIES

The Shasta Mosquito and Vector Control District is a special district, originally started as the Redding Mosquito Abatement District in 1919; they quickly joined the forces of other local mosquito abatement districts and formed the Shasta Mosquito Abatement District in the 1950s. After several annexations, the Shasta Mosquito Abatement District expanded to a full vector control district; changing the District name to Shasta Mosquito and Vector Control District in 1994. Currently, the District comprises approximately 1,086 square miles in Shasta County and provides Mosquito and Vector Control to Redding, Anderson, Shasta Lake City and many towns in unincorporated Shasta County. The District's Mission is: "To protect the public's health from vector-borne disease and nuisance, through a comprehensive mosquito and vector control program focused on innovation, experience and efficiency."

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of Net Position and Statement of Activities

One of the most important questions asked about the District's finances is, "Is our District better off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's net position and changes in them. Think of the District's net position, the difference between assets and liabilities, as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating; one will need to position other non-financial factors however, such as changes in the District's property assessment charge to assess the overall health of the District.

GOVERNMENT FUNDS FINANCIAL STATEMENTS

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

Governmental funds are used to account for essentially the same function reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

OVERVIEW OF THIS ANNUAL REPORT

This annual report includes the Independent Auditors' Report, Management's Discussion and Analysis, and the Financial Statements of the District. The financial statements are comprised of: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and information concerning the District's budget and compliance.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Shasta Mosquito and Vector Control District

Statement of Net Position	2014	2013	Change
ASSETS			
Cash and investments	\$ 3,163,546	\$ 3,380,510	\$ (216,964)
Other current assets	112,248	122,144	(9,896)
Capital assets - net accumulated depreciation	670,609	748,021	(77,412)
Total Assets	\$ 3,946,403	\$ 4,250,675	\$ (304,272)
LIABILITIES			
Current liabilities	\$ 136,184	\$ 153,108	\$ (16,924)
Total Liabilities	\$ 136,184	\$ 153,108	\$ (16,924)
NET POSITION			
Invested in capital assets	\$ 670,609	\$ 748,021	\$ (77,412)
Unrestricted	3,139,610	3,349,546	(209,936)
Total Net Position	\$ 3,810,219	\$ 4,097,567	\$ (287,348)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$3,810,219 as of June 30, 2014. At the end of the fiscal year 2014, the District reflected a positive balance in its unrestricted net position of \$3,139,610 that may be utilized in future years.

Statement of Activities	2014	2013	Change
EXPENSES			
Mosquito and vector control operations	\$ 2,542,209	\$ 2,557,432	\$ (15,223)
Program Revenues	1,146,513	1,125,510	21,003
General Revenues	1,108,348	1,305,155	(196,807)
Total Revenues	2,254,861	2,430,665	(175,804)
Change in Net Position	287,348	(126,767)	160,581
Net Position - Beginning of Period	4,097,567	4,224,334	(126,767)
Net Position - End of Period	\$ 3,810,219	\$ 4,097,567	\$ (287,348)

The statement of activities shows how the District's net position changed during the fiscal year. In the case of the District, net position decreased by \$287,348 during the fiscal year ended June 30, 2014.

Changes in Governmental Net Position	2014	2013	Change
PROGRAM REVENUES			
Charges for services - special benefit assessment	\$ 1,146,513	\$ 1,125,510	\$ 21,003
Total Program Revenues	1,146,513	1,125,510	21,003
GENERAL REVENUES			
Property taxes	1,059,080	1,255,315	(196,235)
Homeowners property tax relief	15,508	15,590	(82)
Use of money and property	16,653	18,255	(1,602)
Other revenues	17,107	15,995	1,112
Total General Revenues	1,108,348	1,305,155	(196,807)
Total Revenues	\$ 2,254,861	\$ 2,430,665	\$ (175,804)

MANAGEMENT’S DISCUSSION AND ANALYSIS

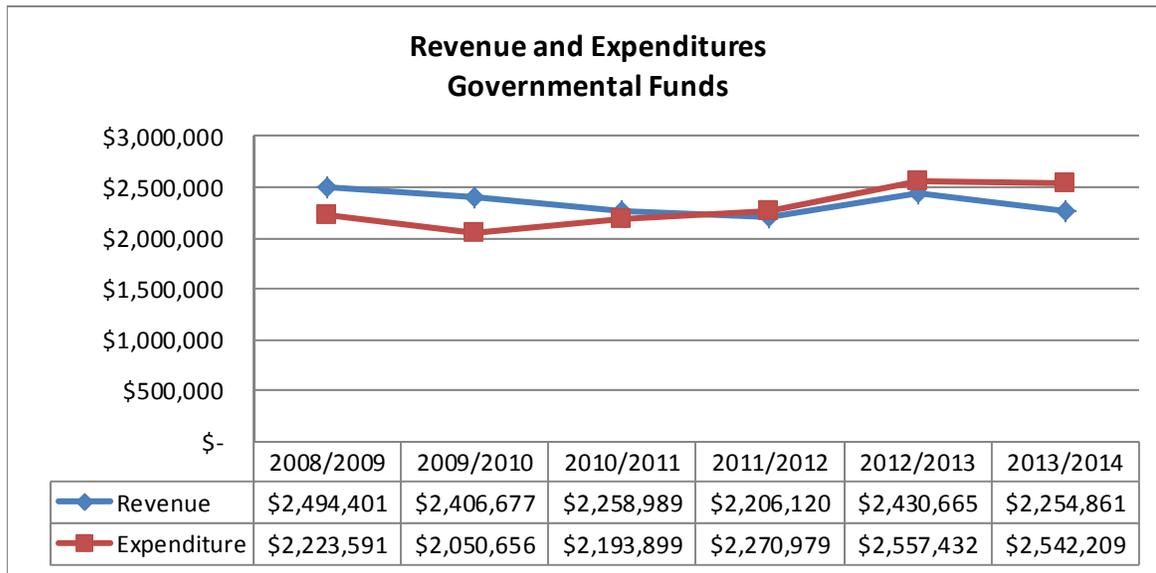
June 30, 2014

Shasta Mosquito and Vector Control District

In 2014, the District’s program revenues increased by 2%, or \$21,003 to \$1,146,513, due to an increase in the District benefit assessment area 2 rate. In 2014, total general revenues from all sources decreased \$175,804 or 8%, due to a reduction in the lump sum payout from the RDA dissolution.

	2014	2013	Change
EXPENSES			
Mosquito and vector control operations:			
Salaries and benefits	\$ 1,769,285	\$ 1,672,606	\$ 96,679
Service and supplies	643,801	767,040	(123,239)
Utilities	20,434	15,890	4,544
Capital outlay	672	-	672
Depreciation	108,017	101,896	6,121
Total Expenses	\$ 2,542,209	\$ 2,557,432	\$ (15,223)

In 2014, total expenses decreased by only \$15,223.



General Fund Budgetary Highlights

The Shasta Mosquito and Vector Control District’s budget year starts July 1 ending June 30th the following year. Annual preparation for the budget begins in January and continues through the spring until the budget package is distributed to the Board of Trustees at the regular meeting in May each year to be approved and adopted at the June meeting.

The District Manager prepares the budget document and serves as the focal point for issuing guidelines, responding to questions, and along with the Administrative Office Manager (AOM), reviewing departmental budget requests. The District Manager, along with the AOM, works to prepare and present the budget to the Finance Committee. The Finance Committee is comprised of two Board members selected by the Board president at the beginning of the calendar year. The Finance Committee reviews, and if necessary, revises the proposed budget. The Finance Committee also determines whether the proposed budget adequately addresses the priorities of the District. The Finance Committee approves the proposed budget and submits it for adoption by the full Board of Trustees. The Board of Trustees has the final responsibility for adopting the budget and making the necessary appropriations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Shasta Mosquito and Vector Control District

The final actual expenditures for the General Fund at year-end were \$122,626 less than the budgeted amount. Actual revenues were less than the anticipated budget by \$31,036. See page 25 for the District's Budget to Actual Schedule.

Capital Assets

Detail on capital assets can be found in Note 4 of the financial statements.

Debt Administration

In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Compensated absences accounted for the largest long-term liability for the District year ending June 30, 2014; \$116,826. Additionally, the District currently carries a defined benefit post-employment healthcare plan and corresponding post-employment benefit obligation.

Conditions Affecting Current Financial Position

Management is unaware of any conditions, which could have a significant impact on the District's current financial position, net position or operating results in terms of past, present and future.

Requests for Information

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the District Manager at the Shasta Mosquito and Vector Control District, 19200 Latona Rd., Anderson, CA 96007 or (530) 365-3768.

FINANCIAL SECTION

**STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE
SHEET**

*Shasta Mosquito and
Vector Control District*

June 30, 2014	General Fund	Capital Projects Fund	Total	Adjustments (Note 2)	Statement of Net Assets
ASSETS					
Cash and cash equivalents	\$ 2,280,486	\$ 883,060	\$ 3,163,546	\$ -	\$ 3,163,546
Accounts receivable	8,422	-	8,422	-	8,422
Due from other governments	42,611	-	42,611	-	42,611
Inventories	56,055	-	56,055	-	56,055
Nondepreciable capital assets	-	-	-	51,273	51,273
Depreciable capital assets - net	-	-	-	619,336	619,336
Other postemployment benefit asset	-	-	-	5,160	5,160
Total Assets	\$ 2,387,574	\$ 883,060	\$ 3,270,634	\$ 675,769	\$ 3,946,403
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable	\$ 19,358	\$ -	\$ 19,358	\$ -	\$ 19,358
Compensated absences	-	-	-	116,826	116,826
Total Liabilities	19,358	-	19,358	116,826	136,184
FUND BALANCE					
Nonspendable	56,055	-	56,055	-	56,055
Committed	850,477	-	850,477	-	850,477
Assigned - capital projects	-	883,060	883,060	-	883,060
Unassigned	1,461,684	-	1,461,684	-	1,461,684
Total Fund Balance	2,368,216	883,060	3,251,276	-	3,251,276
Total Liabilities and Fund Balance	\$ 2,387,574	\$ 883,060	\$ 3,270,634		
NET POSITION					
Investment in capital assets				670,609	670,609
Unrestricted				3,139,610	3,139,610
Total Net Position				\$ 3,810,219	\$ 3,810,219

The accompanying notes are an integral part of these financial statements.

**STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES, AND CHANGES IN
FUND BALANCE**

*Shasta Mosquito and
Vector Control District*

Year Ended June 30, 2014	General Fund	Capital Projects Fund	Total	Adjustments (Note 2)	Statement of Net Assets
REVENUES					
Taxes	\$ 1,059,080	\$ -	\$ 1,059,080	\$ -	\$ 1,059,080
Charges for current services	1,146,513	-	1,146,513	-	1,146,513
Homeowners property tax relief	15,508	-	15,508	-	15,508
Use of money and property	14,141	2,512	16,653	-	16,653
Other revenue	17,107	-	17,107	-	17,107
Total Revenues	2,252,349	2,512	2,254,861	-	2,254,861
EXPENDITURES/EXPENSES					
Current:					
Salaries and benefits	1,769,247	-	1,769,247	38	1,769,285
Service and supplies	643,801	-	643,801	-	643,801
Utilities	20,434	-	20,434	-	20,434
Capital outlay	31,277	-	31,277	(30,605)	672
Depreciation	-	-	-	108,017	108,017
Total Expenditures/Expenses	2,464,759	-	2,464,759	77,450	2,542,209
OTHER FINANCING SOURCES (USES)					
Transfers in	30,000	286,500	316,500	-	316,500
Transfers out	(286,500)	(30,000)	(316,500)	-	(316,500)
Total Other Financing Sources (Uses)	(256,500)	256,500	-	-	-
Changes in Fund Balance	(468,910)	259,012	(209,898)	209,898	-
Change in Net Position	-	-	-	(287,348)	(287,348)
Fund Balance/Net Position- Beginning of Year	2,837,126	624,048	3,461,174	636,393	4,097,567
Fund Balance/Net Position - End of Year	\$ 2,368,216	\$ 883,060	\$ 3,251,276	\$ 558,943	\$ 3,810,219

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity The Shasta Mosquito and Vector Control District (the District) is a California special district governed by a five-member board of trustees. As required by generally accepted accounting principles, these financial statements present the Shasta Mosquito and Vector Control District alone, as the District has no component units, related organizations, or jointly governed organizations.

The purpose of the District is to protect the public's health from vector-borne disease and nuisance through a comprehensive mosquito and vector control program.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller and state regulations governing special districts.

Basis of Presentation For financial reporting purposes, the District is considered a special-purpose government engaged in governmental activities. As provided by Governmental Accounting Standards Board (GASB) Statement No. 34, the basic financial statements are presented using the combined approach. This approach combines the fund financial statements with the government-wide financial statements (i.e., the statement of net position and the statement of activities) by using a columnar format that reconciles the individual line items of fund financial data to government-wide data in a separate column. Interfund activities are eliminated in the government-wide financial statements. The other reconciling items are further explained in note 2.

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. Contributions and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all governmental fund revenues except property taxes which have a 60-day availability period. Expenditures are recorded when the related fund liability is incurred. The activities of the District are recorded in the General Fund and the Capital Projects Fund.

Basis of Accounting The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

Shasta Mosquito and Vector Control District

Cash and Cash Equivalents The District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested in the County Treasurer’s investment pool are considered cash equivalents. The Organization maintains its cash accounts in depositories that are insured by the Federal Deposit Insurance Corporation up to \$250,000 per account.

Due From Other Governments Due from other governments consist of property taxes and special assessments. Management considers all taxes receivable to be collectible.

Inventories The cost of governmental fund inventories are recorded as expenditures when consumed rather than when purchased.

Capital Assets Capital assets, which include land, buildings, and equipment, are reported in the government-wide financial statements. Acquisitions of capital assets are recorded as expenditures in the governmental fund at the time of purchase.

Capital assets are recorded at historical cost, although for certain older assets estimated historical costs are used. Donated capital assets are recorded at the estimated fair market value at the date of donation.

Capital assets used in operations are depreciated using the straight-line method over the estimated useful lives in the government-wide financial statements. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Vehicles	5 years
Furniture and equipment	5 to 7 years
Buildings and improvements	15 to 39 years

The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. The capitalization threshold is \$5,000.

Compensated Absences Vested or accumulated vacation leave and compensatory time that are expected to be liquidated with expendable available financial resources are reported as expenditures and fund liabilities of the governmental funds that will pay them. Amounts of vested or accumulated vacation leave and compensatory time that are not expected to be liquidated with expendable available financial resources are reported in the statement of net position as long-term liabilities, including the current portion. In accordance with generally accepted accounting principles, no liability is recorded for nonvesting accumulated rights to receive sick pay benefits.

**NOTES TO THE FINANCIAL
STATEMENTS**

June 30, 2014

*Shasta Mosquito and
Vector Control District*

Net Position/Fund Balance Net position represents the difference between assets and liabilities. The District's net position is classified as follows:

Investment in Capital Assets: This represents the District's total investment in capital assets. There are no outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets.

Unrestricted: Unrestricted net position represents resources derived from taxes and charges for services. These resources are used for transactions relating to the general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

Beginning with the year ended June 30, 2011, the District implemented GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions.*" This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable Fund Balance: Amounts that are not in spendable form (such as inventories) or are required to be maintained intact.

Restricted Fund Balance: Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.

Committed Fund Balance: Amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned Fund Balance: Amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. All of the District's assigned fund balance is assigned for capital projects.

Unassigned Fund Balance: Amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

Property Taxes The County of Shasta assesses, bills, and collects property taxes for the District. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1. They become due November 1 and February 1 and become delinquent December 10 and April 10.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

Shasta Mosquito and Vector Control District

The County adopted the alternative method of tax apportionment (“Teeter Plan”). As of July 1, 1992, the District determined they would participate in this Plan. Under the Plan, the County now remits all property taxes due to the District and all special assessments due to the District without regard to their current or delinquent status.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interfund Transfers Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

2. RECONCILIATION OF GOVERNMENT-WIDE AND GOVERNMENTAL FUND FINANCIAL STATEMENTS

Amounts reported in the statement of net position are different from the governmental funds balance sheet because:

Governmental funds report capital outlay as expenditures when incurred. However, in the statement of net position, capital assets are capitalized when acquired and their costs are allocated over their estimated useful lives through the use of depreciation expense. This is the amount by which the cost capitalized exceeds the accumulated depreciation expense to date.

Nondepreciable Capital Assets	\$ 51,273
Depreciable capital assets	\$ 2,383,742
Less: Accumulated depreciation	1,764,406
Depreciable Capital Assets - Net	\$ 619,336

Some expenses such as compensated absences and other postemployment benefits (OPEB) reported in the statement of activities do not require the use of current financial resources and are, therefore, not reported as expenditures and liabilities in the governmental funds balance sheet.

The following reflects the liability for expenses that will not be paid with current resources:

OPEB obligation (asset)	\$ (5,160)
Compensated absences	\$ 116,826

**NOTES TO THE FINANCIAL
STATEMENTS**

June 30, 2014

*Shasta Mosquito and
Vector Control District*

Amounts reported in the statement of activities are different from the governmental fund revenues, expenditures, and changes in fund balance because:

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 the governmental fund.

Compensated absence expense	\$ 6,696
Other postemployment benefits expense	\$ (6,658)

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is capitalized and reported over their estimated useful lives as depreciation expense.

Capital outlay	\$ (30,605)
Depreciation expense	\$ 108,017

3. CASH AND INVESTMENTS

The cash and investments as of June 30, 2014, are displayed on the statement of net position as follows:

Cash and cash equivalents	\$ 3,163,546
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Deposits

All of the District's deposits in financial institutions are entirely insured or collateralized. At June 30, 2014, the carrying amounts of the deposits are summarized as follows:

Cash in County treasury	\$ 2,494,554
Cash in bank	\$ 200,000

The majority of the District balances are held by the County of Shasta in a pooled fund, which is invested by the County to earn interest. Interest earned on such pooled cash balances is distributed to participating funds based on each fund's average cash balance during the distribution period. Copies of the County of Shasta's 2014 audited financial statements may be obtained from the County Office of Administration at 1450 Court Street, Room 309, Redding, CA 96001-1671.

Funds invested in the County Treasurer's investment pool are considered cash equivalents. GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, provides that amounts held in external investment pools be reported at fair value.

**NOTES TO THE FINANCIAL
STATEMENTS**

June 30, 2014

*Shasta Mosquito and
Vector Control District*

The *California Government Code* and investment policy of the County authorize the County to invest in obligations, participations, or other investments of the U.S. Government or its agencies, state and municipal bonds, commercial paper of “prime” quality of the highest ranking or of the highest letter and numerical rating as provided by Standard & Poor’s Corporation or Moody’s Investor Service, Inc., bankers’ acceptances, repurchase agreements, and the State Treasurer’s Investment Pool (Local Agency Investment Fund).

The pooled treasury has regulatory oversight from the Shasta County Treasury Oversight Committee in accordance with *California Government Code* requirements. As provided in the 2014 audited financial statements for the County of Shasta, the County Treasury’s Pooled Money Investment account’s weighted average maturities was 888.07 days.

Risk Information

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. *California Government Code*, Section 53601, limits the County’s investments to maturities of five years.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. This is measured by ratings assigned by nationally-recognized organizations. The District’s investment in the County investment pool is unrated.

Concentration risk is defined as positions of 5% or more in the securities of a single issuer. The District’s investment policy does not address this risk.

Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g., financial institution, broker-dealer) to a transaction, a government will not be able to recover the value of its cash and investments or collateral securities that are in the possession of another party. For deposits, the *California Government Code* requires California banks and savings and loan associations to secure the District’s deposits by pledging government securities as collateral. The market value of pledged securities must equal 110% of an entity’s deposits. California law also allows financial institutions to secure an entity’s deposits by pledging first trust deed mortgage notes having a value of 150% of an entity’s total deposits. The District does not have a policy to address this risk. As all funds of the District are maintained by the County, the District relies on the County to mitigate this risk.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

Shasta Mosquito and Vector Control District

4. CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2014:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
NONDEPRECIABLE CAPITAL ASSETS				
Land	\$ 51,273	\$ -	\$ -	\$ 51,273
DEPRECIABLE CAPITAL ASSETS				
Building and improvements	\$ 1,316,590	\$ -	\$ -	\$ 1,316,590
Furniture and equipment	501,885	30,605	-	532,490
Vehicles	558,371	-	(23,709)	534,662
Total Depreciable Capital Assets	2,376,846	30,605	(23,709)	2,383,742
Less: Accumulated depreciation	1,680,098	108,017	(23,709)	1,764,406
Total Depreciable Assets - Net	\$ 696,748	\$ (77,412)	\$ -	\$ 619,336

5. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2014:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
Compensated absences	\$ 124,521	\$ 134,636	\$ 142,331	\$ 116,826	\$ -

Compensated Absences

Compensated absences represents accumulated vacation leave, sick leave, and compensatory time earned by District employees. The District does not consider that these amounts will be paid with current resources unless an employee has given notice of planned resignation/retirement. As of June 30, 2014, there were no material known amounts, and accordingly, no liability for compensated absences was included in the General Fund at June 30, 2014. The amount is included in the government-wide statement of net position as a long-term liability, with none of the balance expected to be due within the next year.

6. RETIREMENT PLAN

CalPERS requires all government entities with less than 100 active members to participate in a risk pool. Accordingly, the District participates in a “cost-sharing” pool within CalPERS.

Plan Descriptions and Provisions

All full-time employees participate in CalPERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The District is part of a “cost-sharing” pool within CalPERS.

**NOTES TO THE FINANCIAL
STATEMENTS**

June 30, 2014

*Shasta Mosquito and
Vector Control District*

Employees hired on or before December 31, 2012: Employees shall receive a 2% at 55 retirement formula benefit from the CalPERS Retirement Plan. Effective January 1, 2013, employees shall pay 100% of the member contribution, which is 7.0% of payroll on a pretax basis in accordance with applicable IRC.

Employees hired on or after January 1, 2013: Employees shall receive a 2% at 62 retirement formula benefit from the CalPERS Retirement Plan based upon the highest 36 months average salary. Employees shall pay 100% of the member contribution.

The Public Employees' Retirement Law (Part 3 of the *California Government Code*, Section 20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS, 400 Q Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.0% of their annual covered salary.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's employer contribution rate for the current year was 16.899%.

The contribution requirements of the plan members are established by state statutes. The District's contributions to CalPERS for the fiscal years ended June 30, 2014, 2013, and 2012, were \$149,452, \$149,643, and \$149,687, respectively, and equaled 100% of the required contribution for each year.

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The District contracts for healthcare for its active and retired employees under the Public Employee Medical Hospital Care Act (PEMHCA) (the Plan). The Plan provides lifetime healthcare insurance for eligible employees and their eligible family members through the District's group insurance plan, which covers both active and retired members. Benefit provisions are established and may be amended by the District's Board of Trustees as authorized by bylaws. The Plan provides for the District to contribute a retiree benefit stipend in accordance with the MOU up to 80% of the cost of health insurance between 60 and the age of Medicare.

Currently, the District has 13 active full-time employees who are eligible for postretirement health benefits and eight retirees who receive postretirement health benefits.

**NOTES TO THE FINANCIAL
STATEMENTS**

June 30, 2014

*Shasta Mosquito and
Vector Control District*

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers with plans that have fewer than 100 total members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 124,390
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB Cost	124,390
Contributions	131,048
Change in Net OPEB (Obligation) Asset	6,658
Net OPEB (Obligation) Asset - Beginning of Year	(1,498)
Net OPEB (Obligation) Asset - End of Year	\$ 5,160

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014, 2013, and 2012, were as follows:

Year Ended	Annual OPEB Cost	Actual Employer Contributions	Percentage Contributed	Net Ending OPEB (Obligation) Asset
June 30, 2012	\$ 98,980	\$ 101,235	102.00%	\$ 11,315
June 30, 2013	\$ 122,011	\$ 109,198	90.00%	\$ (1,498)
June 30, 2014	\$ 124,390	\$ 131,048	105.00%	\$ 5,160

Funding Policy, Funded Status, and Funding Progress

The contribution requirements are established and may be amended by the District. The District contributes between 75 and 100% of the cost of current-year premiums for eligible retired Plan members and their eligible family members depending on the date of hire. For fiscal year 2014, the District contributed \$131,048 to the Plan.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014

Shasta Mosquito and Vector Control District

The District’s funding status information is illustrated as follows:

	July 1, 2009	July 1, 2011
Actuarial accrued liability (AAL)	\$ 875,953	\$ 1,153,842
Actuarial value of plan assets	130,221	357,763
Unfunded Actuarial Accrued Liability (UAAL)	\$ 745,732	\$ 796,079
Funded ratio (actuarial value of plan assets/AAL)	14.87%	31.00%
Covered payroll (active members)	\$ 876,785	\$ 1,042,812
UAAL as a Percentage of Covered Payroll	85.05%	76.34%

As of June 30, 2014, the District has set aside approximately \$530,895 in an external trust fund and the fair value of the trust fund as of June 30, 2014, was approximately \$757,851.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Amounts determined regarding the funded status of a plan and the employer’s annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following simplifying assumptions were made:

Assumptions About Employees and Members: Based on the historical average retirement age of the covered group, active plan members were assumed to retire at age 60 or the first year thereafter in which the member would qualify for benefits. Marital status as of the calculation date was assumed to continue throughout retirement. Life expectancy was based on mortality tables published by CalPERS. The probability of remaining employed until the assumed retirement age and employees’ expected future working lifetimes were developed using CalPERS tables.

Assumptions About Healthcare Costs: The 2011 health insurance premiums for retirees were used to calculate the present value of total benefits to be paid. The expected rate of increase in health insurance premiums initially used a select rate of 8%, with reduction to the ultimate rate of 4.5% after seven years.

Other Assumptions and Methods: The inflation rate was assumed to be 2.50%. A simplified version of the entry age actuarial cost method was used in the actuarial valuation. The UAAL is amortized over a 30-year period as a level percent of projected payroll on an open basis. Payroll was assumed to grow over the long-term at the same rate as inflation.

**NOTES TO THE FINANCIAL
STATEMENTS**

June 30, 2014

*Shasta Mosquito and
Vector Control District*

8. SELF-INSURANCE

The District is a member of the Vector Control Joint Powers Agency (the JPA) for the purpose of providing a pooling plan for member districts to provide their own workers' compensation and liability insurance.

Under the agreement, the District has a self-insured retention under the workers' compensation plan of \$10,000 and excess insurance coverage to the statutory limit. The liability fund provides for a self-insured retention of \$2,500 and excess insurance coverage to \$10,000,000. The premiums billed by the JPA to member districts are planned to match the expenses of the self-insurance as well as the cost of providing the excess layer coverage and the cost of administering the plans.

The District uses the general fund method to account for the cost of self-insurance. While the ultimate amount of the costs of self-insurance through June 30, 2014, is dependent on future developments, District management believes that the aggregate premiums paid to the JPA are adequate to cover the District's losses through June 30, 2014, including incurred but not reported losses.

Total premiums paid to the JPA during the year ended June 30, 2014, totaled \$47,675 and \$39,942, respectively, for workers' compensation and liability insurance. Losses paid under either program during the fiscal year were not in excess of self-insured retention amounts paid in prior years.

JPA's audited condensed financial information for the year ended June 30, 2014, is presented below:

Total Assets	<u><u>\$ 14,522,416</u></u>
Total liabilities	\$ 9,199,159
Equity	<u>5,323,257</u>
Total Liabilities and Net Assets	<u><u>\$ 14,522,416</u></u>
Total revenue	\$ 4,477,047
Total expenditures	<u>4,070,681</u>
Net Increase in Equity	<u><u>\$ 406,366</u></u>

The cash balance includes \$468,993 of the excess reserves held by the JPA.

**NOTES TO THE FINANCIAL
STATEMENTS**

June 30, 2014

*Shasta Mosquito and
Vector Control District*

9. COMMITTED FUND BALANCE

The committed fund balance as of June 30, 2014, consisted of the following:

Public Health Emergency Fund	\$ 300,000
Facility Improvement Fund	200,000
Bio-Control Development Fund	50,000
Existing Facilities Renovation Fund	87,000
Fixed Asset Replacement Fund	70,000
IT Equipment Replacement Fund	100,000
Revenue Stabilization Fund	43,477
Total	\$ 850,477

10. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No.27*. This statement will improve accounting and financial reporting by state and local governments for defined benefit pensions and defined contribution pensions. The statement will also improve information provided by state and local governmental employers about financial support for pensions that are provided by other entities. The District's management has not yet determined the impact that implementation of these standards, which is required on July 1, 2014, will have on the District's financial statements, if any.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

**STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND
ACTUAL – GENERAL FUND**

*Shasta Mosquito and
Vector Control District*

Year Ended June 30, 2014	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 1,100,470	\$ 1,100,470	\$ 1,059,080	\$ (41,390)
Charges for current services	1,151,516	1,151,516	1,146,513	(5,003)
Homeowners property tax relief	19,000	19,000	15,508	(3,492)
Use of money and property	9,000	9,000	14,141	5,141
Other revenue	3,399	3,399	17,107	13,708
Total Revenues	2,283,385	2,283,385	2,252,349	(31,036)
EXPENDITURES/EXPENSES				
Current:				
Salaries and benefits	1,834,559	1,834,559	1,769,247	65,312
Service and supplies	707,326	707,326	643,801	63,525
Utilities	15,500	15,500	20,434	(4,934)
Capital outlay	30,000	30,000	31,277	(1,277)
Total Expenditures/Expenses	2,587,385	2,587,385	2,464,759	122,626
OTHER FINANCING SOURCES (USES)				
Transfers in	130,000	130,000	30,000	100,000
Transfers out	-	-	(286,500)	286,500
Total Other Financing Sources (Uses)	130,000	130,000	(256,500)	386,500
Change in Fund Balance	\$ (174,000)	\$ (174,000)	(468,910)	\$ (294,910)
Fund Balance - Beginning of Year			2,837,126	
Fund Balance - End of Year			\$ 2,368,216	

See the accompanying note to the required supplementary information.

**NOTE TO THE REQUIRED
SUPPLEMENTARY INFORMATION**

June 30, 2014

*Shasta Mosquito and
Vector Control District*

BASIS OF BUDGETING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Revenues are estimated and annual appropriations are adopted. All annual appropriations lapse at fiscal year-end.

The District's governing board approves a tentative budget no later than August 31, and adopts a budget no later than September 30, of each fiscal year. A public hearing is conducted to receive comments prior to adoption. The budget is modified throughout the year to allow for unanticipated income and expenditures. The final revised budget is presented in the financial statements.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2014, expenditures exceeded appropriations for utilities and capital outlay. These expenditures were funded by budget savings in other expenditures.

OTHER REPORT SECTION

**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 Directors
Shasta Mosquito and Vector Control District
Anderson, California

We have audited, 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, the financial statements of the governmental activities and each major fund of Shasta Mosquito and Vector Control District (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 17, 2015.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**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***

Continued

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.

KCoe Jam, LLP

February 17, 2015
Redding, California

FINDINGS SECTION

SCHEDULE OF FINDINGS

June 30, 2014

*Shasta Mosquito and
Vector Control District*

**SECTION I FINDINGS
FINANCIAL STATEMENTS AUDIT**

None.