

**NAPA COUNTY MOSQUITO ABATEMENT DISTRICT**

**AMERICAN CANYON, CALIFORNIA**

**BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2014**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements:	
Statement of Net Position and Governmental Funds Balance Sheet	7
Statement of Activities and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances	8
Notes to Basic Financial Statements	9-18
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	19

INDEPENDENT AUDITORS' REPORT

Board of Directors  
Napa County Mosquito Abatement District  
American Canyon, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Napa County Mosquito Abatement District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Napa County Mosquito Abatement 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 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 our 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, we consider internal control relevant to Napa County Mosquito Abatement 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 Napa County Mosquito Abatement 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.

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 the major fund of Napa County Mosquito Abatement 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 3-6 and page 19, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*R.J. Ricciardi, Inc.*

R.J. Ricciardi, Inc.  
Certified Public Accountants

San Rafael, California  
October 31, 2014

Napa County Mosquito Abatement District  
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

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

### **Introduction to the Basic Financial Statements**

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

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

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

### **The Basic Financial Statements**

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

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

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

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

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

### **The Government-wide Financial Statements**

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

Napa County Mosquito Abatement District  
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

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

Governmental Activities

The District's basic services are considered to be governmental activities. These services are supported by general District revenues such as taxes, and by specific program revenues such as benefit assessments and service charges.

**Fund Financial Statements**

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

In the District's case, the General Fund is the only Major Governmental Fund.

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

Comparisons of Budget and Actual financial information are presented for the General Fund.

**Analyses of Major Funds**

Governmental Funds

General Fund revenues decreased overall by \$65,053 (see table 2 on page 6). Ad valorem property taxes decreased \$26,705, and overall taxes and assessments reflected a decrease of \$21,117. Actual revenues received for 2013/2014 were \$2,176,842, which was \$174,855 more than estimated amounts (see page 19).

General fund expenditures were \$2,215,063 (see page 8 column 1), an increase of \$474,136 from the prior year. Total District expenditures were \$459,733 less than budgeted.

Proposed expenses for 2013/2014 were \$2,674,796 with anticipated revenues for 2013/2014 of \$2,001,987. The proposed excess expenditures from District reserves included continued work on the District's Programmatic Environmental Impact Report (\$37,665), further development of the Mapvision information management system (11,250), and a partial payment towards the District's unfunded pension liability (\$645,629). The District Programmatic Environmental Impact Report and Mapvision information management system are scheduled for completion during the 2014/2015 fiscal year.

Napa County Mosquito Abatement District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
 June 30, 2014

**Governmental Activities**

Table 1  
Governmental Net Position

	Governmental Activities	
	2014	2013
Cash and investments	\$ 3,282,026	\$ 3,382,577
Other assets	259,697	232,895
Capital assets	<u>2,088,683</u>	<u>2,247,039</u>
Total assets	<u>5,630,406</u>	<u>5,862,511</u>
Current liabilities	14,819	50,346
Noncurrent liabilities	<u>28,644</u>	<u>28,644</u>
Total liabilities	<u>43,463</u>	<u>78,990</u>
Net position		
Invested in capital assets	2,088,683	2,247,039
Unrestricted	<u>3,498,260</u>	<u>3,536,481</u>
Total net position	<u>\$ 5,586,943</u>	<u>\$ 5,783,520</u>

The District's governmental net position amounted to \$5,586,943 as of June 30, 2014, a decrease of \$196,577 from 2013. This decrease is the Change in Net Position reflected in the Governmental Activities column of the Statement of Activities shown in Table 2. The District's net assets as of June 30, 2014 comprised the following:

- Cash and investments of \$3,282,026. Substantially all of these amounts were held in short term investments in government securities, as detailed in Note 5 of the basic financial statements.
- Receivables of \$90,046 of current receivables.
- Pesticide inventory of \$153,260.
- Capital assets of \$2,088,683 net of depreciation charges, which includes all the District's capital assets used in governmental activities.
- Current liabilities, including accounts payable, claims and other amounts due currently, totaling \$14,819.
- Net position invested in capital assets, net of related debt, of \$2,088,683, representing the District's investment in capital assets used in Governmental Activities, net of amounts borrowed to finance that investment.
- Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. The District has \$3,498,260 of unrestricted net position as of June 30, 2014. This amount includes six months carryover until the District receives its first installment of tax revenues in December 2014.

The Statement of Activities presents program revenues and expenses and general revenues in detail. All of these are elements in the Changes in Governmental Net Position summarized below.

Napa County Mosquito Abatement District  
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Table 2  
Changes in Governmental Net Position

	Governmental Activities	
	2014	2013
<u>Expenses</u>		
Public health	\$ 2,373,419	\$ 1,728,236
Total expenses	2,373,419	1,728,236
<u>Revenues</u>		
Program revenues:		
Charges for services	97,538	107,469
Total program revenues	97,538	107,469
General revenues:		
Taxes and assessments	2,055,911	2,077,028
Use of money	16,514	16,087
Other	6,879	41,311
Total general revenues	2,079,304	2,134,426
Total revenues	2,176,842	2,241,895
Change in net assets	\$ (196,577)	\$ 513,659

As Table 2 above shows, \$97,538, or 5%, of the District's fiscal year 2014 governmental revenue came from program revenues and \$2,079,304 or 95%, came from general revenues such as taxes and interest.

General revenues are not allocable to programs. General revenues are used to pay for the net cost of governmental programs.

Capital Assets

Detail on capital assets, current year additions and construction in progress can be found in Note 6.

Debt Administration

The District currently does not utilize long-term debt to fund operations or growth.

Economic Outlook and Major Initiatives

The District's financial position continues to be adequate. Financial planning is based on specific assumptions from recent trends in real property values, new residential development, State of California economic forecasts and historical growth patterns in the various communities served by the District.

The economic condition of the District as it appears on the balance sheet reflects financial stability and the potential for organizational growth. The District will continue to maintain a watchful eye over expenditures and remain committed to sound fiscal management practices to deliver the highest quality service to the citizens of the area.

**Contacting the District's Financial Management**

This comprehensive Annual Financial Report is intended to provide citizens, taxpayers, and creditors with a general overview of the District's finances. Questions about this report should be directed to 15 Melvin Road, American Canyon, CA 94503.



Napa County Mosquito Abatement District  
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2014

	General Fund	Adjustments (Note 3)	Statement of Net Position
<b>ASSETS</b>			
Cash and investments	\$ 3,282,026	\$ -	\$ 3,282,026
Accounts receivable	106,437	-	106,437
Inventory (pesticide storage)	153,260	-	153,260
Capital assets:			
Non-depreciable	-	142,128	142,128
Depreciable, net of accumulated depreciation	-	1,946,555	1,946,555
Total assets	\$ 3,541,723	2,088,683	5,630,406
<b>LIABILITIES</b>			
Liabilities:			
Accrued expenses	14,819	-	14,819
Long term liabilities:			
Compensated absences due in more than one year	-	28,644	28,644
Total liabilities	14,819	28,644	43,463
<b>FUND BALANCES / NET POSITION</b>			
Fund balances:			
Assigned for public health	3,526,904	(3,526,904)	-
Total fund balances	3,526,904	(3,526,904)	-
Total liabilities and fund balances	\$ 3,541,723		
Net Position:		2,088,683	2,088,683
Invested in capital assets, net of related debt		3,498,260	3,498,260
Unrestricted		\$ 5,586,943	\$ 5,586,943
Total net position			

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

Napa County Mosquito Abatement District  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT  
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2014

	General Fund	Adjustments (Note 4)	Statement of Activities
Expenditures/expenses:			
Public health	\$ 2,215,063	\$ 158,356	\$ 2,373,419
Total expenditures/expenses	2,215,063	158,356	2,373,419
Program revenues:			
Charges for services	97,538	-	97,538
Net program expense	-	-	2,275,881
General revenues:			
Property taxes	1,128,638	-	1,128,638
Benefit assessments	927,273	-	927,273
Interest	16,514	-	16,514
Other	6,879	-	6,879
Total general revenues	2,079,304	-	2,079,304
Excess (deficiency) of revenues over (under) expenditures	(38,221)	38,221	-
Changes in net position	-	(196,577)	(196,577)
Fund balance/net position at beginning of period	3,565,125	2,205,704	5,783,520
Fund balance/net position at end of period	\$ 3,526,904	\$ 2,047,348	\$ 5,586,943

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

Napa County Mosquito Abatement District  
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE 1 - GENERAL

Napa County Mosquito Abatement District (the District) was established in 1925 as a special district of the State of California formed and operated pursuant to Health and Safety Code section 2000 et. seq., for the purpose of controlling mosquitoes, flies, or other disease-carrying organisms in Napa County. Controls include the direct treatment or reduction of habitat such as standing water, swamp land, marshes, or excess growth of weeds within the territory of the District and areas with a proximity that such vectors may disperse from there into the territory.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

The District has chosen to present its basic financial statements using the reporting model for special purpose governments engaged in a single government program.

This model allows the fund financial statements and the government-wide statements to be combined using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements rather than at the bottom of the statements or in an accompanying schedule.

**Government-wide Financial Statements:** The statement of net position and the statement of activities include the financial activities of the overall District government.

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's activities. Direct expenses are those that are specifically associated with a program or function and therefore are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operation or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

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

Napa County Mosquito Abatement District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Major Funds

GASB Statement No. 34 defines major funds and requires that the District's major governmental type funds be identified and presented separately in the fund financial statements. Major funds are defined as funds that have assets, liabilities, revenues, or expenditures equal to ten percent of their fund-type total and five percent of the grand total.

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

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

C. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when *earned* and expenses are recorded at the times liabilities are *incurred*, regardless of when the related cash flow takes place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method revenues are recognized when *measurable and available*. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as *other financing sources*.

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. The District's policy is to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

D. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Formal budgetary integration is employed as a management control device.

Napa County Mosquito Abatement District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Estimates

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Property Taxes

The District receives property taxes from the County of Napa (the County), which has been assigned the responsibility for assessment, collection, and apportionment of property taxes for all taxing jurisdictions within the County. Secured property taxes are levied on July 1 for the following fiscal year and on which date it becomes a lien on real property. Secured property taxes are due in two installments on November 1 and February 1 and are delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the July 1 lien date and become delinquent if unpaid by August 31.

The District participates in the County's "Teeter Plan" method of ad valorem property tax distribution and thus receives 100% of the District's apportionment each fiscal year, eliminating the need for an allowance for uncollectible taxes. The County, in return, receives all penalties and interest on the related delinquent taxes. Under the Teeter Plan, the County remits property taxes to the District based on assessments, not on collections, according to the following schedule: 55 percent in December, 40 percent in April, and 5 percent at the end of the fiscal year. Property tax is recognized when it is available and measurable. The District considers property tax as available if it is received within 60 days after fiscal year end. The Teeter Plan does not apply to the District's voter approved benefit assessment.

G. Other Revenues

Other revenues include, but are not limited to, sales of equipment, rebate checks and insurance refunds.

H. Capital Assets

Purchased capital assets are stated at historical cost or estimated historical cost when original cost is not available. Donated capital assets are recorded at their estimated fair value at the date of donation. The District's policy is to capitalize all capital assets with costs exceeding a minimum threshold of \$5,000. Depreciation is recorded using the straight-line method over the estimated useful lives of the capital assets, which range from 15 to 20 years for field equipment, 5 to 10 years for office equipment, and 8 to 10 years for vehicles. Depreciation expense for the year ended June 30, 2014 was \$174,898.

I. Encumbrances

Encumbrance accounting is used during the fiscal year for budgetary control. Encumbrances outstanding at the fiscal year end do not constitute expenditures or liabilities, but rather, a reservation of fund balance. The District honors contracts represented by fiscal year end encumbrances and the appropriations carried over provide authority to complete these transactions in the following fiscal year. The District did not have any reserve for encumbrances at June 30, 2014.

Napa County Mosquito Abatement District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

J. Inventory

Inventory represents various pesticide materials that have been stated at cost determined by the first-in, first-out method. The costs of inventory are recorded as expenses when consumed rather than when purchased.

K. Net Position and Fund Balances

**Government-wide Financial Statements:**

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that contributed to the acquisition, construction, or improvement of the capital assets.

Restricted Net Position – This amount consists of amounts restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position – This amount is all remaining net position that does not meet the definition of “invested in capital assets, net of related debt” or “restricted net position.”

**Fund Financial Statements:**

Unassigned Fund Equity – The residual classification for the government’s general fund that includes all amounts not contained in other classifications.

Assigned Fund Equity – Amounts intended to be used by the government for specific purposes but that do not meet the criteria to be classified as restricted or committed.

NOTE 3 - RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET WITH THE STATEMENT OF NET POSITION

Reconciling adjustments are as follows:

Capital assets used in governmental activities are not current assets or financial resources and therefore are not reported in the governmental funds	\$ 2,088,683
Non-current portion of compensated absences	(28,644)
Total fund balances – governmental funds	<u>3,526,904</u>
Net position of governmental activities	<u>\$ 5,586,943</u>

Napa County Mosquito Abatement District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2014

NOTE 4 - RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE STATEMENT OF ACTIVITIES

Reconciling adjustments are as follows:

Net change in fund balance – total governmental funds	\$	(38,221)
Depreciation expense is deducted from fund balance		(174,898)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. The capital outlay expenditures are therefore added back to fund balance		16,542
The amounts below included in the statement of activities do not provide (require) the use of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds (net change):		
Compensated absences		<u>-0-</u>
Change in net position of governmental activities	\$	<u>(196,577)</u>

NOTE 5 - CASH AND INVESTMENTS

Cash and investments at June 30, 2014 consisted of the following:

Pooled cash at Napa County	\$	2,129,996
Met-life common stock		1,577
Deposit – Vector Control Joint Powers Agency		<u>1,150,453</u>
	\$	<u>3,282,026</u>

Authorized Investments

Under provision of the District’s Investment Policy, and in accordance with Section 53601 of the California Government Code, the District may invest in the following types of investments:

- County of Napa cash and investment pool
- Negotiable Certificates of Deposit
- Local Agency Investment Fund (State Pool) Deposits

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

The District maintains specific cash deposits with the County and voluntarily participates in the external investment pool of the County. The County is restricted by state code in the types of investments it can make. The balance at June 30, 2014 was \$2,169,283. Furthermore, the County Treasurer has a written investment policy, approved by the Board of Supervisors, which is more restrictive than state code as to terms of maturity and type of investment. Also, the County has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27134.

Napa County Mosquito Abatement District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2014

NOTE 5 - CASH AND INVESTMENTS (concluded)

The County's investment policy authorizes the County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, and the State Treasurer's investment pool. At June 30, 2014, the District's cash with the County Treasurer is stated at fair value. However, the value of the pool shares in the County that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the District's position in the pool.

The District maintains specific cash deposits with the Vector Control Joint Powers Agency (see related Note 9). The balance at June 30, 2014 was \$1,150,453.

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2014, was as follows:

	<u>Balance as of</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance as of</u> <u>June 30, 2014</u>
Capital assets, not depreciated				
Land	\$ 142,128	\$ -	\$ -	\$ 142,128
Total capital assets, not depreciated	<u>142,128</u>	<u>-</u>	<u>-</u>	<u>142,128</u>
Capital assets, being depreciated:				
Buildings	2,508,981	-	-	2,508,981
Vehicles	369,040	-	-	369,040
Equipment	<u>350,120</u>	<u>16,542</u>	<u>-</u>	<u>366,662</u>
Total capital assets, being depreciated	<u>3,228,141</u>	<u>\$ 16,542</u>	<u>\$ -</u>	<u>3,244,683</u>
Less: accumulated depreciation	<u>(1,123,230)</u>			<u>(1,298,129)</u>
Total capital assets, being depreciated, net	<u>2,104,911</u>			<u>1,946,554</u>
Capital assets, net	<u>\$ 2,247,039</u>			<u>\$ 2,088,682</u>

NOTE 7 - LONG-TERM DEBT

A. Summary of Changes in Long-Term Debt

The following represents changes in long-term debt during the fiscal year:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due within</u> <u>1 year</u>
Compensated absences	\$ 28,644	\$ -	\$ -	\$ 28,644	\$ -
Total	<u>\$ 28,644</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,644</u>	<u>\$ -</u>

B. Compensated Absences

Compensated absences consist of accrued vacation at June 30, 2014. The District's full-time employees accrue between 3 and 6.15 vacation hours every two weeks. The District's part-time employees accrual is pro-rated based on the number of hours worked.



Napa County Mosquito Abatement District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2014

NOTE 8 - DEFINED BENEFIT PENSION PLAN

A. Plan Description

The District contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustment, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance (other local methods). The California Public Employees' Retirement system issues a separate financial report which can be obtained by writing to PERS, Executive Office, 400 P Street, Sacramento, CA 95814.

B. Funding Policy

Active plan members in the District's defined benefit pension plan are required to contribute 8% of their annual covered salary. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS' Board of Administration. The required employer's contribution rate for fiscal year 2013-2014 was 31.299%. The contribution requirements of the plan members are established by state statutes and the employer contribution rate is established and may be amended by CalPERS.

C. Annual Pension Cost

For the year ended June 30, 2014, the District's annual pension cost of \$747,786 for CalPERS included the District's required and actual contributions, and an additional amount for the District's side fund obligation.

A summary of principle assumptions and methods used to determine the Annual Required Contribution (ARC) is shown below.

Valuation Date	June 30, 2012
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	19 Years as of the Valuation Date
Asset Valuation Method	15-Year Smoothed Market
Actuarial Assumptions	
Investment Rate of Return	7.50% (net of administrative expenses)
Projected Salary Increase	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 2.75% and an annual production growth of 0.25%

Napa County Mosquito Abatement District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2014

NOTE 8 - DEFINED BENEFIT PENSION PLAN (concluded)

C. Annual Pension Cost (concluded)

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

Three-Year Trend Information for the District PERS:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/10	\$ 174,257	100.0%	\$ -
6/30/11	176,958	100.0%	-
6/30/12	182,479	100.0%	-

The Schedule of Funding Progress below shows the recent history of the actuarial value of assets, actuarial accrued liability, their relationship, and the relationship of the unfunded actuarial accrued liability to payroll.

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liability</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability/ (Excess Assets) [(A)-(B)]</u>	<u>Funded Status [(B)/(A)]</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of Payroll {[ (A) - (B) ] / (E) }</u>
6/30/10	\$2,297,871,345	\$1,815,671,616	\$482,199,729	79.0 %	\$434,023,381	111.1 %
6/30/11	\$2,486,708,579	\$1,981,073,089	\$505,635,490	79.7 %	\$427,300,410	118.3 %
6/30/12	\$2,680,181,441	\$2,178,799,790	\$501,381,651	81.3 %	\$417,600,034	120.1 %

NOTE 9 - SELF-INSURANCE

The District participates with other public entities in a joint venture under a joint powers agreement that established the Vector Control Joint Powers Agency (VCJPA). The VCJPA is a consortium of 27 mosquito abatement or vector control districts in the State of California. It was established under the provisions of California Government Code Section 6500 et. seq. The day-to-day business is handled by a risk management group employed by VCJPA.

The District is covered for the first \$1,000,000 of each general liability claim and \$350,000 of each workers' compensation claim through VCJPA. The District has the right to receive dividends and the obligation to pay assessments based on a formula which, among other expenses, charges the District's account for liability losses under \$10,000 and workers' compensation losses under \$25,000. The VCJPA participates in an excess pool that provides general liability coverage from \$1,000,000 to \$9,000,000. The VCJPA participates in an excess pool that provides workers' compensation coverage from \$1,000,000 to \$25,000,000. The District is covered for property damage from \$5,000 to \$500,000,000 and auto damage up to \$30,000 per accident, business travel up to \$150,000 and environmental damage from \$5,000 to \$1,000,000.

Napa County Mosquito Abatement District  
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE 9 - SELF-INSURANCE (concluded)

Cash deposits of \$1,150,453 with the VCJPA are maintained to help offset costs of unexpected potential claims including required deductible contributions. The deposit with the VCJPA also covers the 15% deductible for earthquake insurance that the District has as a separate policy outside of the VCJPA.

NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN RETIREMENT

*Plan Description.* The District's defined benefit post-employment healthcare plan, Napa County Mosquito Abatement District Other Post-Employment Benefit Program, provides medical benefits to eligible retired District employees and their beneficiaries. Napa County Mosquito Abatement District Other Post-Employment Benefit Program is affiliated with the California Employers Retiree Benefit Trust (CERBT), an agent multiple-employer post-employment healthcare plan administered by the California Public Employees' Retirement System (PERS). PERS issues a publicly available financial report that includes financial statements and required supplementary information for CERBT. That report may be obtained by writing to the Executive Office, 400 P Street, Sacramento, CA 95814.

*Funding Policy.* The contribution requirements of plan members and the District are established and may be amended by the CERBT board of trustees. Napa County Mosquito Abatement District Other Post-Employment Benefit Program members receiving benefits contribute \$0 per month for retiree-only coverage and \$0 per month for retiree and spouse coverage to age 65, and \$0 and \$0 per month, respectively, thereafter.

The District is required to contribute the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years. The current ARC rate is 6% percent of annual covered payroll.

Annual OPEB Cost and Net OPEB Obligation/(Asset)

The following table shows the components of the District's Annual OPEB Cost for the fiscal year ended June 30, 2014, the amount actually contributed to the plan (including administrative costs), and changes in the District's Net OPEB Obligation/(Asset):

	2014	2013
Annual Required Contributions	\$ 61,967	\$ 69,286
Interest on Net OPEB Obligation/(Asset)	(28,131)	(30,329)
Adjustment to Annual Required Contributions	23,635	25,482
Annual OPEB cost (expense)	57,471	64,439
Contributions made	(67,714)	(104,143)
Increase in Net OPEB Obligation/(Asset)	(10,243)	(39,704)
Net OPEB Obligation/(Asset) – beginning of year	(545,189)	(505,485)
Net OPEB Obligation/(Asset) – end of year	\$ (555,432)	\$ (545,189)

Napa County Mosquito Abatement District  
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN RETIREMENT (concluded)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation was as follows, based on the District's actuarial valuation as of July 1, 2011:

Fiscal Year Ended	Annual OPEB Cost	Employer OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/11	\$ 42,494	\$ 68,521	161%	\$ (26,027)
6/30/12	68,746	547,954	797%	(505,485)
6/30/13	64,439	104,143	162%	(545,189)
6/30/14	57,471	67,714	118%	(555,432)

*Funded Status and Funding Progress.* The funded status of the plan as of June 30, 2014, was as follows:

(A) Valuation Date	(B) Actuarial Accrued Liability	(C) Unfunded Liability (Excess Assets) [(B)-(A)]	(D) Funded Ratio [(A)/(B)]	(E) Annual Covered Payroll	(F) UAAL as a % of Payroll {[(B)-(A)]/(E)}
7/1/09	\$ 825,391	\$ 622,074	132.7%	\$ 685,534	0.00%
7/1/11	1,288,250	1,449,495	88.9%	617,960	26.09%
7/1/13	1,906,731	1,718,630	111%	680,305	0.00%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and the assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*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 the plan members) and include 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.

In the July 1, 2009, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 7.75% percent investment rate of return (net of administrative expenses), which is the expected long-term investment return on plan assets and an annual healthcare cost trend rate of 5% - initially 7.52% for fiscal year 2011, reduced by decrements to an ultimate rate of 5% after five years; and a 3.25% annual increase in projected payroll. The actuarial value of assets was determined based on the market value of investments. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The amortization period is thirty years.

Napa County Mosquito Abatement District  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
Budget and Actual  
For the Year Ended June 30, 2014  
(Unaudited)

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		with <u>Final Budget</u>
Revenues:				
Property taxes	\$ 973,000	\$ 1,003,600	\$ 1,128,638	\$ 125,038
Benefit assessments	925,887	925,887	927,273	1,386
Interest (VCJPA & County)	2,500	2,500	16,514	14,014
Charges for services	59,000	59,000	97,538	38,538
Other revenues	9,500	11,000	6,879	(4,121)
Total revenues	<u>1,969,887</u>	<u>2,001,987</u>	<u>2,176,842</u>	<u>174,855</u>
Expenditures:				
Public health	<u>2,674,721</u>	<u>2,674,796</u>	<u>2,215,063</u>	<u>459,733</u>
Total expenditures	<u>2,674,721</u>	<u>2,674,796</u>	<u>2,215,063</u>	<u>459,733</u>
Excess of revenues over (under) expenditures	<u>\$ (704,834)</u>	<u>\$ (672,809)</u>	<u>(38,221)</u>	<u>\$ 634,588</u>
Fund balance, beginning of period			<u>3,565,125</u>	
Fund balance, end of period			<u>\$ 3,526,904</u>	