

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

REQUIRED COMMUNICATIONS

FOR THE YEAR ENDED JUNE 30, 2019

This Page Left Intentionally Blank

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

REQUIRED COMMUNICATIONS

For the Year Ended June 30, 2019

Table of Contents

	<u>Page</u>
<i>Required Communications</i>	1
Significant Audit Findings	1
Accounting Policies.....	1
Unusual Transactions, Controversial or Emerging Areas	1
Accounting Estimates	1
Disclosures	2
Difficulties Encountered in Performing the Audit	2
Corrected and Uncorrected Misstatements.....	2
Disagreements with Management	2
Management Representations.....	3
Management Consultations with Other Independent Accountants	3
Other Audit Findings or Issues.....	3
Other Information Accompanying the Financial Statements	3

This Page Left Intentionally Blank

REQUIRED COMMUNICATIONS

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

We have audited the basic financial statements of the Marin/Sonoma Mosquito and Vector Control District (District) for the year ended June 30, 2019. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards.

Significant Audit Findings

Accounting Policies

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

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

GASB 83 - Certain Asset Retirement Obligations

GASB 88 - Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

Unusual Transactions, Controversial or Emerging Areas

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

Accounting Estimates

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

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

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

Estimated Fair Value of Investments: As of June 30, 2019, the District held approximately \$15 million of cash and investments as measured by fair value as disclosed in Note 3 to the financial statements. Fair value is essentially market pricing in effect as of June 30, 2019. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2019.

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

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

Disclosures

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in a management representation letter dated December 3, 2019.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Information Accompanying the Financial Statements

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

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

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



Pleasant Hill, California
December 3, 2019

This Page Left Intentionally Blank

MEMORANDUM ON INTERNAL CONTROL

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

In planning and performing our audit of the basic financial statements of the Marin/Sonoma Mosquito and Vector Control District as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

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

A handwritten signature in black ink that reads "Maze & Associates".

Pleasant Hill, California
December 3, 2019

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

COTATI, CALIFORNIA

BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2019

This Page Left Intentionally Blank

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

INTRODUCTORY SECTION

Table of Contents..... i
Board of Trustees..... ii

FINANCIAL SECTION

Independent Auditor’s Report 1
Management’s Discussion and Analysis 3

Basic Financial Statements:

District-wide statements:

Statement of Net Position 8
Statement of Activities..... 9

Fund financial statements:

Governmental Funds – Balance Sheet..... 10

Reconciliation of the Governmental Funds Balance Sheet
With the Statement of Net Position 11

Governmental Funds – Statement of Revenues, Expenditures and
Changes in Fund Balances 12

Reconciliation of the Net Change in Fund Balances – Total Governmental Funds
With the Statement of Activities 13

Statement of Revenues, Expenditures, and Changes in Fund
Balance - Budget and Actual – General Fund 14

Notes to Basic Financial Statements 17

Required Supplementary Information

Schedule of the District’s Proportionate Share of the Net Pension Liability 36

Schedule of Contributions – Retirement Plan..... 37

Schedule of Changes in the Net OPEB Liability and Related Ratios..... 38

Schedule of Contributions – OPEB 39

**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
BOARD OF TRUSTEES
JUNE 30, 2019**

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

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Marin/Sonoma Mosquito and Vector Control District, California (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of governmental activities and each major fund of the Marin/Sonoma Mosquito and Vector Control District as of June 30, 2019, and the respective changes in the financial position and budgetary comparisons listed in the Table of Contents as part of the basic financial statements, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Maze & Associates

Pleasant Hill, California
December 3, 2019

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

This discussion reflects the District's present and future programs for the fiscal year beginning July 1, 2018 and ending June 30, 2019 and offers its readers a narrative overview and analysis of the financial activities of the District.

FINANCIAL HIGHLIGHTS JULY 1, 2018—JUNE 30, 2019

- The District's operating fund cash balance (with the County of Marin) at the beginning of the fiscal year was \$10,262,758 and \$10,174,285 at the end of the fiscal year.
- The District's capital replacement fund cash balance (with the County of Marin) at the beginning of the fiscal year was \$3,138,384 and \$3,194,012 at the end of the fiscal year.
- The District's emergency vector control fund cash balance (with the County of Marin) at the beginning of the fiscal year was \$1,175,195 and \$1,196,026 at the end of the fiscal year.
- The District had general revenues and charges for services of \$9,988,575 and program expenses of \$8,892,909. The District's net position was increased by \$1,226,337.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

REPORTING ENTITY

The Marin/Sonoma Mosquito Abatement District was formed in May of 1915 and later became a California Special District. The District is empowered under the California Health and Safety Code to take all necessary steps to abate mosquitoes and other vectors, such as rats and yellow jackets. The District also provides robust public outreach and an Education Program within the Marin and Sonoma County school systems. The District is governed by a twenty-four (24) member appointed Board of Trustees that represents both counties and each City or Town. As of June 30, 2019, there were four vacant seats, Corte Madera, Cotati, one Marin County at Large and one Sonoma County at Large. The District covers an area of almost 2300 sq. miles and has a payroll of 33 regular, full-time employees.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Marin-Sonoma Mosquito and Vector Control District		<u>STATEMENT OF NET POSITION</u>		
	<u>FY 2017/18</u>	<u>FY 2018/19</u>	<u>% CHANGE</u>	
TOTAL ASSETS	<u>\$ 22,413,026</u>	<u>\$ 22,394,369</u>	-0.08%	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>3,387,503</u>	<u>5,858,117</u>	72.93%	
TOTAL LIABILITIES	<u>14,492,804</u>	<u>15,346,201</u>	5.89%	
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,403,227</u>	<u>1,775,450</u>	26.53%	
NET POSITION:				
Net Investment in Capital Assets	5,448,108	5,234,862	-3.91%	
Unrestricted	<u>4,456,390</u>	<u>5,895,973</u>	32.30%	
TOTAL NET POSITION	<u>\$ 9,904,498</u>	<u>\$ 11,130,835</u>	<u>12.38%</u>	

As of June 30, 2019, the District reported its proportionate share of the net pension liability (Note 6B) as well as the deferred outflows and inflows of resources related to retiree healthcare (OPEB) (Note 7F). The District's net position for fiscal year 2018/2019 increased by \$1,226,337. In addition, the District's total liabilities increase 5.89% in FY 2018/2019, helping to contribute to a 12.38% positive change in total net position.

Marin-Sonoma Mosquito and Vector Control District		<u>STATEMENT OF ACTIVITIES</u> <u>& CHANGES IN NET POSITION</u>		
	<u>FY 2017/18</u>	<u>FY 2018/19</u>	<u>% CHANGE</u>	
GENERAL REVENUE:				
Taxes and Assessments	\$ 8,945,986	\$ 9,389,137	-4.95%	
Use of Money and Property	128,001	285,003	-122.66%	
Other Revenues	<u>357,254</u>	<u>314,435</u>	11.99%	
TOTAL GENERAL REVENUE	<u>\$ 9,431,241</u>	<u>\$ 9,988,575</u>	5.91%	
TOTAL PROGRAM REVENUE	<u>\$ 91,054</u>	<u>\$ 130,671</u>	43.51%	
EXPENSES	<u>\$ 8,047,663</u>	<u>\$ 8,892,909</u>	10.50%	
Change in net position	\$ 1,474,632	1,226,337	16.84%	
Beginning Net position	<u>8,429,866</u>	<u>9,904,498</u>	-17.49%	
Ending net position	<u>\$ 9,904,498</u>	<u>\$ 11,130,835</u>	12.38%	

The District has two main revenue components: Ad valorem taxes and the two Benefit Assessments. The District has experienced an increase in assessments and property tax revenue of 4.95%. Also, use of money and property (investment income) rose by 123% over the prior year. Other Revenues include reimbursement for miscellaneous work performed by the District throughout the year, insurance refunds/reimbursements, miscellaneous reimbursements and sale of equipment. Program revenue consists of contract work performed by the District and the amount received is variable from year to year.

FUND FINANCIAL STATEMENTS

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

MAJOR FUNDS

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

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

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

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

The projected Budget for the 2019-20 Fiscal Year is \$9,808,634 with projected Revenues of \$9,586,810. Due to the projected shortfall of revenue compared with expenses, \$221,824 was slated to drawn from net assets to balance the budget. The total amount allocated for Capital Replacement items is \$195,000. For fiscal year 2019/20the District's benefit assessments were increased as follows: Benefit Assessment (BA) #1 remained flat at \$12.00 per/parcel, BA #2 (Marin County and Zone A) to \$27.58 per/parcel and Zone B to \$26.38 per/parcel. The ad valorem tax collections were forecast to increase by 5.0% for Marin County and 3.50% for Sonoma County.

The following factors were considered in preparing the District's Budget for the fiscal year 2019/20:

- Staff was directed to more accurately forecast both revenues and expenditures while preparing the budget for FY 2019-20. Staff looked closely at past trends in salaries, benefits and services and supplies and determined the most accurate forecast based on prior year actuals. In addition, the Budget Committee directed staff to modify the calculation of anticipated revenues. In an effort to more accurately forecast revenues, revenues for the proposed budget for FY 2019-20 are based on actuals from the prior year rather than budgeted amounts from the prior year.
- Staff remains vigilant controlling costs and adhering to the adopted budget and continues efforts to plan for the specific needs of individual departments.
- Represented employees entered the final year of a three-year memorandum of understanding with the District and realized a 3.0% cost of living allowance applied to salaries on July 1, 2019.

Employees continue to make a 1.75% contribution to the employer paid member contribution to MCERA.

- For FY 2019-20, employer rates for MCERA contributions decreased slightly to 30.18% for the Classic Tier and 21.78% for the PEPR Tier. The percentage of the budget to be spent on pension contributions is 10.81%. The most significant change to benefits can be largely attributed to the Board's decision to adopt the OPEB funding method which resulted in allocating 100% of the Actuarially Determined Contribution as determined in the most recent valuation. The percentage of the budget spent on OPEB for FY 2019-20 is 6.80%.
- The level of expenditures on capital replacement items increased significantly over the prior budget year. Items scheduled to be purchased during FY 19/20 include four trucks for the vector control technicians and a new van for the Public Education and Outreach Department totaling \$195,000.
- The District will continue its participation in the State's West Nile virus dead bird testing program and telephone hotline system. Costs to the District did not increase because the Mosquito & Vector Control Association covered the additional costs of operating the program, backfilling revenue lost to the state as a consequence of federal grants decreasing support.
- The District is enhancing the tick-borne disease surveillance program and its associated public outreach efforts.

FUTURE EVENTS THAT WILL FINANCIALLY IMPACT THE DISTRICT

- Recent robust growth in ad valorem (property tax) revenues has offset the flat revenue from Benefit Assessment #1, which supplies the great majority of the benefit assessment revenue, but this factor alone may be insufficient to meet long-term funding needs. Revenue from Assessment District #1 has remained flat since reaching its \$12 cap in 2014 and the assessed amount can never be increased. Consequently, the District is increasingly dependent on ad valorem revenue, which could decrease in the event of an economic recession.
- Demand for services continues to increase each year, further stressing the District's operational capacities. Increased workload due to requests for assistance with yellowjacket and rodent problems continue to represent the largest growth area. Presently, the District is studying the feasibility of adding additional permanent and seasonal staffing.
- Since the prior audit period, invasive *Aedes aegypti* and *albopictus* mosquitoes encroached closer to the District, with first detections reported in Placer and Sacramento Counties. Although surveillance has not yet detected these mosquitoes in the District's service area, it is very possible that they may spread here in the future. Other mosquito districts' experience has been that substantial additional staffing, equipment, and supplies are needed to contain and attempt to eradicate such an infestation. Accordingly, the District increased its public health emergency reserve from approximately \$1M to 20% of annual budgeted expenditures.
- Advanced technology in various forms will present opportunities for increased surveillance and treatment efficacy. Efficiencies may be realized in the future by the application of Unmanned Aerial Vehicle technology to vector control operations, potentially replacing some or all manned

helicopter flights and enabling personnel to operate in sensitive habitats with reduced impacts. Demonstration projects are already under way at several mosquito districts. Although this technology is very promising and advancing rapidly, its implementation in the field of vector control is still in the early stages. The State Department of Public Health and the Department of Pesticide Regulation promulgated regulations governing the application of mosquito control materials by district personnel. Applicators must pass a series of state examinations.

- Following the 2017 Sonoma Complex Fires, the District expended approximately \$265,000 in staff effort and materials to address the more than nine hundred pools, spas, septic tanks, ponds etc. that became prodigious breeding sources of mosquitoes. Efforts to obtain financial reimbursement from the Federal Emergency Management Agency were unsuccessful, due to their highly restrictive rules. Unless the governing regulations are changed, the District is likely to experience the same outcome following future disaster recovery efforts. Wildfires are expected to increase in frequency and severity. The District recently applied for financial relief as part of the PG&E bankruptcy case. Even though PG&E was found not to have started the Kincaid fire, monies may become available as part of the settlement of the case.
- Demand for services continues to increase each year, further stressing the District's operational capacities. Increased workload due to requests for assistance with yellowjacket and rodent problems continue to represent the largest growth area.
- The 2016 study conducted by Municipal Resource Group (MRG) that examined the future costs associated with District's capital equipment and facility replacement needs for the next twenty years is being updated in December 2019. A proposal to alter the way that the District deals with financing capital replacement or improvement projects may be presented to the District Board during 2020. As an interim measure, the District reduced the applicable target fund balance to \$2M from \$3M.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments (Note 3)	\$14,669,035
Deposits held by VCJPA (Notes 3 and 8)	791,760
Accounts receivable	1,177,525
Property taxes receivable	236,498
Inventory (Note 2E)	284,689
Total current assets	17,159,507
Capital assets (Note 4):	
Nondepreciable:	
Land	675,000
Depreciable:	
Structures and improvements	6,705,661
Office equipment	387,259
Office furniture	37,619
Field equipment	155,024
Vehicles	2,047,674
Less: Accumulated depreciation	(4,773,375)
Total capital assets, net	5,234,862
Total Assets	22,394,369
DEFERRED OUTFLOWS OF RESOURCES	
Pension related (Note 6B)	2,590,813
OPEB related (Note 7F)	3,267,304
Total Deferred Outflows of Resources	5,858,117
LIABILITIES	
Current liabilities:	
Compensated absences (Note 2F)	233,371
Total current liabilities	233,371
Non-current liabilities:	
Compensated absences (Note 2F)	285,232
Net OPEB liability (Note 7C)	9,706,000
Collective net pension liability (Note 6B)	5,121,598
Total non-current liabilities	15,112,830
Total Liabilities	15,346,201
DEFERRED INFLOWS OF RESOURCES	
Pension related (Note 6B)	1,025,450
OPEB related (Note 7F)	750,000
Total Deferred Inflows of Resources	1,775,450
NET POSITION (Note 5)	
Net investment in capital assets	5,234,862
Unrestricted	5,895,973
Total Net Position	\$11,130,835

See accompanying notes to financial statements

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	<u>Program Revenues</u> Charges for Services	Net (Expense) Revenue and Change in Net Position
Governmental Activities:			
Public Health	(\$8,892,909)	\$130,671	(\$8,762,238)
Total Governmental Activities	<u>(\$8,892,909)</u>	<u>\$130,671</u>	<u>(8,762,238)</u>
General revenues:			
Taxes and assessments			9,389,137
Use of money and property			285,003
Other revenues			<u>314,435</u>
Total General Revenues			<u>9,988,575</u>
Change in Net Position			1,226,337
Net Position - Beginning			<u>9,904,498</u>
Net Position - Ending			<u><u>\$11,130,835</u></u>

See accompanying notes to financial statements

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019

	General Fund	Capital Replacement Fund	Totals
ASSETS			
Cash and investments (Note 3)	\$11,475,023	\$3,194,012	\$14,669,035
Deposits with VCJPA (Notes 3 and 8)	791,760		791,760
Accounts receivable	1,177,525		1,177,525
Property taxes receivable	236,498		236,498
Inventory (Note 2E)	284,689		284,689
Total Assets	<u>\$13,965,495</u>	<u>\$3,194,012</u>	<u>\$17,159,507</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - accounts receivable	\$1,048,295		\$1,048,295
Total Deferred Inflows of Resources	<u>1,048,295</u>		<u>1,048,295</u>
FUND BALANCES (Note 5)			
Nonspendable: inventory	284,689		284,689
Committed for dry period funding	3,200,000		3,200,000
Committed for public health emergencies	1,175,195		1,175,195
Assigned for insurance	791,760		791,760
Assigned for future capital replacements		\$3,194,012	3,194,012
Unassigned	7,465,556		7,465,556
Total Fund Balances	<u>12,917,200</u>	<u>3,194,012</u>	<u>16,111,212</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$13,965,495</u>	<u>\$3,194,012</u>	<u>\$17,159,507</u>

See accompanying notes to financial statements

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
Reconciliation of the
GOVERNMENTAL FUNDS -- BALANCE SHEET
with the
STATEMENT OF NET POSITION
JUNE 30, 2019

FUND BALANCE OF GOVERNMENTAL FUNDS \$16,111,212

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds Balance Sheet because of the following:

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

Capital assets at historical cost	\$10,008,237	
Less: accumulated depreciation	(4,773,375)	5,234,862

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

Unavailable revenue	1,048,295	
Compensated absences payable	(518,603)	
Other postemployment benefits payable	(9,706,000)	
Deferred outflows related to pension	2,590,813	
Deferred outflows related to OPEB	3,267,304	
Net pension liability	(5,121,598)	
Deferred inflows related to pension	(1,025,450)	
Deferred inflows related to OPEB	(750,000)	(10,215,239)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$11,130,835

See accompanying notes to financial statements

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Capital Replacement Fund	Totals
REVENUES:			
Taxes and assessments	\$9,389,137		\$9,389,137
Use of money and property	229,374	\$55,629	285,003
Other revenues	232,675		232,675
Total Revenues	<u>9,851,186</u>	<u>55,629</u>	<u>9,906,815</u>
EXPENDITURES:			
Current:			
Salaries and benefits	7,475,229		7,475,229
General and administrative	2,390,368		2,390,368
Capital outlay		59,060	59,060
Total Expenditures	<u>9,865,597</u>	<u>59,060</u>	<u>9,924,657</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(14,411)</u>	<u>(3,431)</u>	<u>(17,842)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in		59,059	59,059
Transfers (out)	(59,059)		(59,059)
Total other financing sources (uses)	<u>(59,059)</u>	<u>59,059</u>	
NET CHANGE IN FUND BALANCES	(73,470)	55,628	(17,842)
BEGINNING FUND BALANCES	<u>12,990,670</u>	<u>3,138,384</u>	<u>16,129,054</u>
ENDING FUND BALANCES	<u>\$12,917,200</u>	<u>\$3,194,012</u>	<u>\$16,111,212</u>

See accompanying notes to financial statements

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2019

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES (\$17,842)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures are added back to fund balance	\$69,060	
Depreciation expense is not reportable in the governmental fund	(243,006)	
Net retirements and adjustments are deducted from fund balance	<u>(39,300)</u>	<u>(213,246)</u>

Net Pension Liability is not a current liability, and therefore, governmental funds record pension expense as it is paid. However, in the Statement of Activities those costs are reversed as deferred outflows/(inflows) and an increase/(decrease) in net pension liability. (169,908)

Other Post Employment Benefits payable is not a current liability, and therefore, is not recorded in the governmental fund statements. This amount represents the amount of the change in the payable and related deferred outflows/(inflows) in the current period. 1,461,653

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources, and therefore, are not reported as revenue or expenditures in governmental fund statements. The net changes are as follows:

Unearned revenue	212,431	
Compensated absences	<u>(46,751)</u>	

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$1,226,337

See accompanying notes to financial statements

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and assessments:				
Assessments	\$3,162,225	\$3,162,225	\$3,148,624	(\$13,601)
Current secured	4,401,706	4,401,706	4,977,812	576,106
Current unsecured	103,364	103,364	121,256	17,892
Prior unsecured	3,077	3,077	3,120	43
Homeowners' property tax relief	34,523	34,523	28,257	(6,266)
Annexation revenue	956,481	956,481	955,662	(819)
Supplemental assessments	71,316	71,316	41,808	(29,508)
Other aid			112,598	112,598
Total taxes and assessments	<u>8,732,692</u>	<u>8,732,692</u>	<u>9,389,137</u>	<u>656,445</u>
Use of money and property:				
Interest income	<u>25,256</u>	<u>25,256</u>	<u>229,374</u>	<u>204,118</u>
Other revenues:				
Contract work	150,000	150,000	130,671	(19,329)
Refunds and reimbursements			<u>102,004</u>	<u>102,004</u>
Total other revenues	<u>150,000</u>	<u>150,000</u>	<u>232,675</u>	<u>82,675</u>
Total Revenues	<u>8,907,948</u>	<u>8,907,948</u>	<u>9,851,186</u>	<u>943,238</u>
EXPENDITURES				
Current:				
Employees' compensation				
Salaries and compensated absences	3,875,290	3,689,100	3,485,853	203,247
Employee benefits	<u>2,612,657</u>	<u>4,128,365</u>	<u>3,989,376</u>	<u>138,989</u>
Total employees' compensation	<u>6,487,947</u>	<u>7,817,465</u>	<u>7,475,229</u>	<u>342,236</u>
Total expenditures forward	<u>6,487,947</u>	<u>7,817,465</u>	<u>7,475,229</u>	<u>342,236</u>

(Continued)

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current:				
Total forward	\$6,487,947	\$7,817,465	\$7,475,229	\$342,236
General and administrative:				
Agriculture	873,035	873,035	764,160	108,875
Pest abatement supplies	12,000	12,000	11,172	828
Insectory supplies	300	300		300
Spray/field equipment	18,200	18,300	12,808	5,492
Source reduction equipment	15,900	15,900	4,642	11,258
Furniture, appliances and equipment	4,460	4,460	1,419	3,041
Clothing and personal supplies	34,640	35,140	32,903	2,237
Safety equipment	9,775	13,132	8,915	4,217
Communications	52,360	53,360	48,928	4,432
Food	3,500	3,850	4,492	(642)
District special expense	251,500	312,100	301,320	10,780
Household expense	7,550	7,550	5,993	1,557
Insurance	259,832	261,585	260,559	1,026
Accidents			2,717	(2,717)
Projects	3,000	3,000	2,996	4
Maintenance - equipment	100,800	103,800	67,076	36,724
Maintenance - ground/structures	6,350	21,250	14,161	7,089
Lab	15,200	15,200	10,371	4,829
Fish supplies	3,375	3,375	1,180	2,195
Disease surveillance	20,700	20,700	15,404	5,296
Memberships	44,450	44,450	41,852	2,598
Office expense	23,575	23,575	14,595	8,980
Professional and special services	424,650	356,930	342,728	14,202
Publications and legal notices	132,300	137,300	125,525	11,775
Rents and leases	7,200	7,200	5,912	1,288
Small tools and instruments	4,900	4,900	1,821	3,079
Minor construction/improvements	74,600	79,600	54,988	24,612
Video productions	5,500	6,195		6,195
Education/public relations and printing	42,900	137,900	49,074	88,826
Educational supplies	11,550	11,550		11,550
Education and training for employees	17,200	17,200	13,564	3,636
Travel and transportation	26,300	25,500	18,068	7,432
Fuel and oil	95,300	95,300	102,991	(7,691)
Utilities	29,650	33,000	48,034	(15,034)
Total general and administrative	2,632,552	2,758,637	2,390,368	368,269
Total Expenditures	9,120,499	10,576,102	9,865,597	710,505

(Continued)

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers in (out)			(\$59,059)	(\$59,059)
Total other financing sources (uses)			(59,059)	(59,059)
NET CHANGE IN FUND BALANCE	<u>(\$212,551)</u>	<u>(\$1,668,154)</u>	(73,470)	<u>\$1,594,684</u>
BEGINNING FUND BALANCE			<u>12,990,670</u>	
ENDING FUND BALANCE			<u>\$12,917,200</u>	

See accompanying notes to financial statements

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 1 – GENERAL

Formed in 1915, the Marin/Sonoma Mosquito and Vector Control District (District) is a California Special District empowered to take all necessary steps for the abatement of mosquito and other vectors such as yellow jackets and rats. The District is also empowered to abate as nuisances all standing water that produces mosquitoes. A twenty-four (24) member appointed Board of Trustees governs the District. As of June 30, 2019, there were four vacant seats.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform with accounting principles generally accepted in the United States of America and are applicable to governments. The following is a summary of the significant policies.

A. Basis of Presentation

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

These Statements require that the following financial statements be presented:

District-wide Financial Statements: The District's financial statements reflect only its own activities; it has no component units (other government units overseen by the District). The Statement of Net Position and Statement of Activities include the financial activities of the overall District government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

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

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

General Fund – The General Fund is the main operating fund of the District. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

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

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting

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

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

Those revenues susceptible to accrual are property taxes, certain charges for services and interest revenue.

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

The District may fund programs with a combination of cost-reimbursement grants and general revenues. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The District’s policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

C. Property Taxes

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

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

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

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

D. *Budgets and Budgetary Accounting*

The District follows the procedures established by the State of California for special districts in establishing the budgetary data reflected in the financial statements. During the year, the General Fund was the only fund for which a budget was required.

E. *Inventory*

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

F. *Compensated Absences*

Accumulated unpaid employee vacation and compensated hours, are recognized as liabilities of the District to the extent they vest. Sick leave has also been included as employees receive 50% of their accumulated sick leave upon termination of employment. The liability is recorded in the Statement of Net Position. The General Fund has been used to liquidate compensated absences. At June 30, 2019, the balance of compensated absences was \$518,603, of which \$233,371 was estimated to be the current portion.

G. *Use of Estimates*

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those amounts.

H. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position or balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Fair Value Measurements

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

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

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

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

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

NOTE 3 – CASH AND INVESTMENTS

A. Policies and Classification

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District’s cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the District’s name and places the District ahead of general creditors of the institution. Deposits with JPA are reserves held by the Vector Control Joint Powers Agency (VCJPA) and are uncollateralized and uninsured (See Note 8).

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

The District’s cash and investments consist of the following at June 30, 2019:

Cash on hand	\$350
Deposits with financial institutions	103,821
County of Marin Treasury	14,564,864
Sub-total	14,669,035
Deposits with VCJPA	791,760
Total cash and investments	\$15,460,795

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 3 – CASH AND INVESTMENTS (Continued)

B. Permitted Investments

The District has authorized staff to deposit cash with the Marin County Treasurer in a series of pooled accounts with cash from various other governmental entities within the County, for investment purposes. The County’s investment policies are governed by State statutes. In addition, the County has an investment committee, which prescribes written investment policies regarding the types of investments that may be made. The policies limit amounts that may be invested in any one financial institution or amounts, which may be invested in long-term instruments. Interest earned from such time deposits and investments is allocated quarterly to the District based on its average daily cash balances. The fair value of the account at June 30, 2019 was provided by the County Treasurer.

Authorized Investment Type	Maximum Maturity	Minimum Rating	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (LAIF)	N/A	N/A	None	\$60 million
Certificates of Deposit - Negotiable	N/A	None	30%	None
Certificates of Deposit - Non-negotiable	None	None	None	None
Money Market Funds	N/A	Highest ranking	20%	10%
U.S. Treasury Obligations	None	None	None	None
U.S. Agency Obligations	None	None	None	None
U.S. Government Securities	None	None	None	None
California Local Agency Bonds, Notes & Warrants	None	None	None	None
Medium-term Notes	2 years	A	30%	None
County Cash Pool	3 years	AAA	None	5%
Bankers Acceptances	180 days	None	30%	None
Commercial Paper	270 days	A	40%	None
Repurchase Agreements	None	None	None	None

C. Fair Value Hierarchy

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

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

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 4 – CAPITAL ASSETS

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

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Balance June 30, 2018	Additions	Deletions & Adjustments	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$675,000			\$675,000
Total capital assets not being depreciated	675,000			675,000
Capital assets being depreciated:				
Structures and improvements	6,705,661			6,705,661
Office equipment	431,775		(\$44,516)	387,259
Office furniture	27,128		10,491	37,619
Field equipment	125,361	\$17,562	12,101	155,024
Vehicles	1,974,252	51,498	21,924	2,047,674
Total capital assets being depreciated	9,264,177	69,060		9,333,237
Accumulated depreciation:				
Structures and improvements	(2,367,425)	(155,512)	(778)	(2,523,715)
Office equipment	(220,532)	(16,096)	(41,933)	(278,561)
Office furniture	(27,128)		(10,491)	(37,619)
Field equipment	(125,361)	(5,455)	26,382	(104,434)
Vehicles	(1,750,623)	(65,943)	(12,480)	(1,829,046)
Total accumulated depreciation	(4,491,069)	(243,006)	(39,300)	(4,773,375)
Total capital assets, being depreciated, net	4,773,108	(\$173,946)	(\$39,300)	4,559,862
Capital assets, net	\$5,448,108			\$5,234,862

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 5 – NET POSITION AND FUND BALANCES

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

A. Net Position

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

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

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. The District had no Restricted Net Position as of June 30, 2019.

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

B. Fund Balance

The District's fund balances are classified in accordance with Governmental Accounting Standards Board Statement Number 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires the District to classify its fund balances based on spending constraints imposed on the use of resources. For programs with multiple funding sources, the District prioritizes and expends funds in the following order: Restricted, Committed, Assigned, and Unassigned. Each category in the following hierarchy is ranked according to the degree of spending constraint:

Nonspendables represents balances set aside to indicate items do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact and assets not expected to be converted to cash, such as prepaids, notes receivable, and inventories are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed or assigned, then Nonspendable amounts are required to be presented as a component of the applicable category.

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included along with spendable resources.

Committed fund balances have constraints imposed by formal action of the Board of Trustees which may be altered only by formal action of the Board of Trustees. Encumbrances and nonspendable amounts subject to Board commitments are included along with spendable resources.

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 5 – FUND BALANCES AND NET ASSETS (Continued)

Assigned fund balances are amounts constrained by the District’s intent to be used for a specific purpose but are neither restricted nor committed. Intent is expressed by the Board of Trustees or its designee and may be changed at the discretion of the Board of Trustees or its designee. This category includes encumbrances when it is the District’s intent to use proceeds or collections for a specific purpose, and residual fund balances, if any, of the Capital Replacement Fund which have not been restricted or committed.

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual General Fund balance and residual fund deficits, if any, of other governmental funds.

NOTE 6 – PENSION PLANS

A. General Information about the Pension Plans

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

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

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

The Plans’ provisions and benefits in effect at June 30, 2019 are summarized as follows:

	Miscellaneous	
	Tier 1 - Classic Prior to January 1, 2013	Tier 2 - PEPRA On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55.5	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	100%	100%
Required employee contribution rates	8.32% - 12.90%	10.99%
Required employer contribution rates	31.93%	23.53%

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 6 – PENSION PLANS (Continued)

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

For the year ended June 30, 2019, the contributions recognized as part of pension expense for the Plans were as follows:

	Miscellaneous
Contributions - employer	\$990,343

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

As of June 30, 2019, the District reported its proportionate share of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$5,121,598
Total Net Pension Liability	\$5,121,598

The District’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2018, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District’s proportionate share of the net pension liability for each Plan as of June 30, 2017 and 2018 was as follows:

	Miscellaneous
Proportion - June 30, 2017	1.2260%
Proportion - June 30, 2018	1.5506%
Change - Increase (Decrease)	0.3246%

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 6 – PENSION PLANS (Continued)

For the year ended June 30, 2019, the District recognized pension expense of \$1,160,251. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$990,343	
Differences between actual and expected experience		\$134,538
Changes in assumptions	474,503	
Difference between District contributions and proportionate share of contributions	23,973	\$47,527
Change in proportion	1,101,994	
Net differences between projected and actual earnings on plan investments		843,385
Total	\$2,590,813	\$1,025,450

\$990,343 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2019	\$552,686
2020	300,999
2021	(89,607)
2022	(189,058)
Total	\$575,020

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 6 – PENSION PLANS (Continued)

Actuarial Assumptions – The total pension liability as of June 30, 2018 was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions applied to all prior periods included in the measurement. The key assumptions in the valuation were:

	Miscellaneous
Measurement Date	June 30, 2018
Valuation Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Return on Assets	7.00%, net of investment expenses
Discount Rate	7.00%
Projected Salary Increase	3.00% plus merit component based on employee classification and years of service
Price Inflation	2.75%
Post Retirement COLA	Assumed at the rate of 2.7% for members with a 4% COLA cap, 2.6% for members with a 3% COLA cap, and 1.9% for members with a 2% COLA cap
Mortality	CalPERS 2017 Pre-Retirement Non-Industrial Death rates (for active members), CalPERS 2017 Post-Retirement Healthy Mortality rates, multiplied by 90% for Males (for retired healthy members), CalPERS 2017 Disability Mortality rates (non-industrial rates) multiplied by 90% for Males and Females (for disabled members) - all with a 20-year static projection used by CalPERS replaced by generational improvements from a base year of 2014 using Scale MP-2017.

Discount Rate – The discount rate used to measure the Total Pension Liability was 7.00%.

We have assumed that the employees will continue to contribute to the Plan at the required rates and the employers will continue the historical and legally required practice of contributing to the Plan based on an actuarially determined contribution, reflecting a payment equal to annual Normal Cost, a portion of the expected Administrative Expenses, an amortization payment for the extraordinary losses from 2009 amortized over a closed period (21 years remaining as of the June 30, 2017 actuarial valuation) and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level percentage of payroll over a closed period (20 years remaining as of the June 30, 2017 actuarial valuation).

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 6 – PENSION PLANS (Continued)

The MCERA Board of Retirement has adopted an Investment Policy Statement (IPS), which provides the framework for the management of MCERA’s investments. The IPS establishes MCERA’s investment objectives and defines the principal duties of the Retirement Board, the custodian bank, and the investment managers. The asset allocation plan is an integral part of the IPS and is designed to provide an optimum and diversified mix of asset classes with return expectations to satisfy expected liabilities while minimizing risk exposure. MCERA currently employs external investment managers to manage its assets subject to the provisions of the policy. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the Plan. The following was the Retirement Board’s adopted asset allocation policy as of June 30, 2019:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	32%	4.60%
International Equity	22%	4.75%
Fixed Income	23%	0.75%
Public Real Assets	8%	3.25%
Real Estate	7%	3.50%
Private Equity	8%	5.10%
Total	100%	

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The discount rate used to measure the Total Pension Liability was 7.00%. Related to the discount rate is the funding assumption that employees will continue to contribute to the plan at the required rates and employers will continue the historical and legally required practice of contributing to the plan based on an actuarially determined contribution, reflecting a payment equal to annual normal cost, a portion of the expected administrative expenses, an amortization payment for the extraordinary losses from 2009 amortized over a closed period (21 years remaining as of the June 30, 2017 actuarial valuation) and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level percentage of payroll over a closed period (13 years remaining as of the June 30, 2017 actuarial valuation).

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 6 – PENSION PLANS (Continued)

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

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

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Total Pension Liability	\$49,681,318	\$43,908,650	\$39,156,159
Fiduciary Net Position	38,787,052	38,787,052	38,787,052
Net Pension Liability	\$10,894,266	\$5,121,598	\$369,107
Fiduciary Net Position as a Percentage of the Total Pension Liability	78.1%	88.3%	99.1%

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

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS

A. Plan Description, Benefits Provided and Funding Policy

The District’s Post Employment Benefit Plan is an agent multiple employer plan. The following is a summary of Plan benefits as of June 30, 2019:

Note 7

The District’s policy is to contribute the full Actuarially Determined Contribution (ADC). The District began making contributions to a CERBT trust during fiscal year 2014-2015.

Membership in the plan consisted of the following at June 30, 2019, the date of the latest actuarial valuation:

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

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Net OPEB Liability

Actuarial Methods and Assumptions – The District’s net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated July 1, 2017 that was rolled forward using standard update procedures to determine the District’s total OPEB liability as of June 30, 2018, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Valuation Date	July 1, 2017
Measurement Date	June 30, 2018
Actuarial Assumptions:	
Discount Rate	6.50%
Expected Rate of Return on Assets	6.50%
Inflation	2.75% per year
Payroll Growth	Aggregate - 3% annually
Mortality, Termination, Service Retirement, Disability	Merit - MCERA 2011-2014 Experience Study
Mortality Improvement	MCERA 2011-2014 Experience Study
Medical Trend	Mortality projected fully generational with Scale MP-2016
Medicare B Trend	- Non-Medicare - 7.5% for 2018, decreasing to an ultimate rate of 4.0% in 2076 - Medicare - 6.5% for 2018, decreasing to an ultimate rate of 4.0% in 2076
Participation for future retirees	- 0% for 2018 and 2019, 3.7% in 2020, increasing to Medicare medical trend in 2023 - Hired 7/30/14 or earlier: 100% - Hired after 7/30/14: Ineligible

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

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

Discount Rate

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

C. *Change in Net OPEB Liability*

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)
	(a)	(b)	(c) = (a) - (b)
Balance at June 30, 2018	\$10,226,000	\$726,000	\$9,500,000
Changes Recognized for the Measurement Period:			
Service Cost	247,000	-	247,000
Interest on the total OPEB liability	672,000	-	672,000
Changes in benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions from the employer	-	636,000	(636,000)
Net investment income	-	79,000	(79,000)
Administrative expenses	-	(2,000)	2,000
Benefit payments and refunds	(282,000)	(282,000)	-
Net Changes	637,000	431,000	206,000
Balance at June 30, 2019	\$10,863,000	\$1,157,000	\$9,706,000

The benefit payments and refunds include implied subsidy benefit payments in the amount of \$44,000.

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

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

Plan's Net OPEB Liability/(Asset)		
Discount Rate -1% (5.5%)	Current Discount Rate (6.5%)	Discount Rate +1% (7.50%)
\$11,454,000	\$9,706,000	\$8,295,000

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

Plan's Net OPEB Liability/(Asset)		
Decrease -1%	Current Healthcare Cost Trend Rates	Increase Rate +1%
\$8,091,000	\$9,706,000	\$11,734,000

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

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

For the year ended June 30, 2019, the District recognized OPEB expense of \$894,000. At June 30, 2019, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made subsequent to the measurement date	\$2,355,304	
Difference between expected and actual experience		\$733,000
Changes in assumptions	912,000	
Net difference between projected and actual earnings on plan investments		17,000
Total	\$3,267,304	\$750,000

\$2,355,304 reported as deferred outflows of resources related to employer contributions made subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019**

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Measurement Period Ended June 30	Annual Amortization
2020	\$41,000
2021	42,000
2022	41,000
2023	38,000
Total	\$162,000

G. *Deferred Compensation Plan*

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

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

NOTE 8 – RISK MANAGEMENT

The District participates with other public entities in a joint venture under a joint powers agreement which established the Vector Control Joint Powers Agency (VCJPA) which is a workers' compensation and general liability risk pool. The relationship between the District and VCJPA is such that VCJPA is not a component unit of the District for financial reporting purposes. The District reports all of its risk management activities in its VCJPA Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Should there be a need for a retrospective adjustment due to adverse claim activity, the District may be assessed additional premiums.

The VCJPA is a consortium of thirty-four (34) mosquito abatement or vector control districts in the State of California. It was established under the provisions of California Government Code section 6500 et seq. The VCJPA is governed by a Board of Directors, which meets four times per year, consisting of one member from each of the four regions as well as two trustees of the Mosquito and Vector Control Association of California (MVCAC). A risk management group employed by the VCJPA handles the day-to-day business.

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2019

NOTE 8 – RISK MANAGEMENT (Continued)

The following is a summary of the insurance policies in force carried by the Authority as of June 30, 2019:

Type of Coverage	District Limits	District Deductibles
General Liability	\$15,000,000	\$50,000
Employment Practices	2,000,000	25,000
Workers' Compensation	Statutory	500,000
Boiler and Machinery	100,000,000	2,500 to 350,000
All-risk Property	1,000,000,000	10,000
Auto Physical Damage (per vehicle)	35,000	1,000
Business Travel Accident	150,000	None
Group Fidelity	1,000,000	2,500
Alliant Deadly Weapon Response	500,000	10,000

As defined by Government Accounting Standards Board (GASB) Statement 10, the Vector Control Joint Powers Agency is “a claims servicing or account pool.” VCJPA manages separate accounts for each pool member from whom losses and expenses of that member are paid, up to the retention limit. VCJPA purchases commercial excess insurance. The annual assessment of each member includes allocation for loss payments, expenses and excess insurance premiums.

Annually, VCJPA evaluates the assets of each pool member in comparison with expected future liabilities. The “financial risk position” of each member is determined by subtracting case reserves, claims incurred but not reported amounts and claim development from members’ deposit balances. If a negative risk position is found, a supplemental amount is added to the member’s annual assessment.

In accordance with GASB 10, the District has recorded its deposit with VCJPA as an asset at June 30, 2019. The District had no claims losses outstanding at June 30, 2019. Settled claims for the District have not exceeded coverage in any of the past three years.

The District has reserves of \$791,760 on deposit with VCJPA for member contingencies to cover the District’s self-insured retentions (SIR) for two claims in each type of coverage. The VCJPA has also purchased insurance to cover catastrophic losses.

Financial statements may be obtained from Vector Control Joint Powers Agency, 1750 Creekside Oaks Drive, Suite 200, Sacramento, California 95833.

REQUIRED SUPPLEMENTARY INFORMATION

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

Measurement Date	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018
District's proportionate share	1.3670%	1.0675%	1.1722%	1.2260%	1.5506%
Proportionate share of total pension liability	\$30,836,408	\$26,359,459	\$30,203,230	\$32,918,302	\$43,908,650
Proportionate share of fiduciary net position	<u>27,458,012</u>	<u>22,224,119</u>	<u>24,600,929</u>	<u>28,397,350</u>	<u>38,787,052</u>
Proportionate share of the net pension liability	<u><u>\$3,378,396</u></u>	<u><u>\$4,135,340</u></u>	<u><u>\$5,602,301</u></u>	<u><u>\$4,520,952</u></u>	<u><u>\$5,121,598</u></u>
Plan fiduciary net position as a percentage of the total pension liability	89.04%	84.31%	81.45%	86.27%	88.34%
Covered payroll	\$3,105,278	\$2,845,790	\$2,856,069	\$2,965,789	\$3,051,566
Net pension liability as a percentage of covered payroll	108.80%	145.31%	196.15%	152.44%	167.84%

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

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

	<u>Fiscal Year 2014 - 2015</u>	<u>Fiscal Year 2015 - 2016</u>	<u>Fiscal Year 2016 - 2017</u>	<u>Fiscal Year 2017 - 2018</u>	<u>Fiscal Year 2018 - 2019</u>
Actuarially determined contribution	\$856,583	\$968,417	\$994,927	\$1,041,782	\$990,343
Contributions in relation to the actuarially determined contributions	<u>856,583</u>	<u>968,417</u>	<u>994,927</u>	<u>1,041,782</u>	<u>990,343</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Covered payroll	\$2,845,790	\$2,856,069	\$2,965,789	\$3,051,566	\$3,265,466
Contributions as a percentage of covered payroll	30.10%	33.91%	33.55%	34.14%	30.33%

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

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
For the Year Ended June 30, 2019

Last Ten Fiscal Years *

Other Post-Employment Benefits (OPEB)

Measurement period	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>
Total OPEB liability			
Service cost	\$213,000	\$212,000	\$247,000
Interest	618,000	659,000	672,000
Differences between expected and actual experience	-	(1,109,000)	-
Assumption changes	-	1,380,000	-
Benefit payments, including refunds of employee contributions	<u>(248,000)</u>	<u>(246,000)</u>	<u>(282,000)</u>
Net change in total OPEB liability	583,000	896,000	637,000
Total OPEB liability - beginning	<u>8,747,000</u>	<u>9,330,000</u>	<u>10,226,000</u>
Total OPEB liability - ending (a)	<u><u>\$9,330,000</u></u>	<u><u>\$10,226,000</u></u>	<u><u>\$10,863,000</u></u>
OPEB fiduciary net position			
Contributions - employer	\$417,000	\$624,000	\$636,000
Net investment income	3,000	56,000	79,000
Benefit payments, including refunds of employee contributions	(248,000)	(246,000)	(282,000)
Administrative expense	<u>-</u>	<u>-</u>	<u>(2,000)</u>
Net change in plan fiduciary net position	172,000	434,000	431,000
Plan fiduciary net position - beginning	<u>120,000</u>	<u>292,000</u>	<u>726,000</u>
Plan fiduciary net position - ending (b)	<u><u>\$292,000</u></u>	<u><u>\$726,000</u></u>	<u><u>\$1,157,000</u></u>
Plan net OPEB liability - ending (a) - (b)	<u><u>\$9,038,000</u></u>	<u><u>\$9,500,000</u></u>	<u><u>\$9,706,000</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	<u><u>3.13%</u></u>	<u><u>7.10%</u></u>	<u><u>10.65%</u></u>
Covered payroll	<u><u>\$2,709,398</u></u>	<u><u>\$2,747,596</u></u>	<u><u>\$2,699,763</u></u>
Plan net OPEB liability as a percentage of covered payroll	<u><u>333.58%</u></u>	<u><u>345.76%</u></u>	<u><u>359.51%</u></u>

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

**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)
SCHEDULE OF CONTRIBUTIONS
For the Year Ended June 30, 2019**

Last Ten Fiscal Years *

Other Post-Employment Benefits (OPEB)

Fiscal Year	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
Actuarially determined contribution	\$817,000	\$857,000	\$1,081,000
Contributions in relation to the actuarially determined contribution	<u>624,000</u>	<u>635,651</u>	<u>2,355,304</u>
Contribution deficiency (excess)	<u>\$193,000</u>	<u>\$221,349</u>	<u>(\$1,274,304)</u>
Covered payroll	\$2,747,596	\$2,699,763	\$2,053,078
Contributions as a percentage of covered payroll	22.71%	23.54%	114.72%

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

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Valuation Date	July 1, 2017
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level dollar
Remaining Amortization	21-year fixed period for 2018/19
Asset Valuation Method	Market value of assets
Discount Rate	6.50%
General Inflation	2.75%
Medical Trend	- Non-Medicare - 7.5% for 2018, decreasing to an ultimate rate of 4.0% in 2076
Mortality	MCERA 2011-2014 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2016

This Page Left Intentionally Blank