

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

COTATI, CALIFORNIA

BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2017

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**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
 BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2017**

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**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
BOARD OF TRUSTEES
JUNE 30, 2017**

Term Expires
Dec 31st

Lee Braun	Jan 1, 2018
Shaun McCaffery, 2 nd Vice-President.....	2017
Herb Rowland, 1 st Vice-President.....	2020
Laurie Gallian, President.....	2018
Paul Libeu	2020
Ed Schulze	2019
Sandra Ross	2017
Martin Castro	2017
Una Glass	2017
Tamara Davis.....	2018
Art Deicke.....	2017
Frank Egger	2017
Pamela Harlem	2017
Terry Pebbles	2017
Paul Sagues, Secretary.....	2017
Alannah Kinser	2018
Matthew Naythons.....	2020
Dustin DeMatteo.....	2018
Carol Giovanatto.....	2018
Ranjuv Khush	2018
Gail Bloom.....	2017

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Marin/Sonoma Mosquito and Vector Control District (District), as of and for the year ended June 30, 2017, 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, 2017, 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.

Emphasis of a Matter

Management adopted the provisions of the following Governmental Accounting Standards Board Statement, which was early implemented during the year ended June 30, 2017 as discussed in Note 2H to the financial statements:

- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

As discussed in Note 2H, the District restated the beginning balance of net position of the governmental activities, in the amount of \$962,765, relating to implementation of GASB 75 as of June 30, 2017.

The emphasis of this matter does not constitute a modification to our opinions.

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.

Pleasant Hill, California
December 4, 2017

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

This discussion reflects the District's present and future programs for the fiscal year beginning July 1, 2016 and ending June 30, 2017 and offers its readers a narrative overview and analysis of the financial activities of the District.

FINANCIAL HIGHLIGHTS JULY 1, 2016—JUNE 30, 2017

- The District's operating fund cash balance (with the County of Marin) at the beginning of the fiscal year was \$7,374,866 and \$8,841,807 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 \$3,071,156 and \$3,108,827 at the end of the fiscal year.
- The District early implemented GASB 75 and as a result restated and reduced beginning net position by \$962,765.
- The District's emergency vector control fund cash balance (with the County of Marin) at the beginning of the fiscal year was \$1,158,642 and \$1,164,127 at the end of the fiscal year.
- The District had general revenues and charges for services of \$9,019,365 and program expenses of \$8,406,793. The District's net position was increased by \$612,572 as revenues exceeded expenses by this amount.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

REPORTING ENTITY

The Marin/Sonoma Mosquito Abatement District was formed in May of 1915 and later became a California Special District. The District is empowered under the California Health and Safety Code to take all necessary steps to abate mosquitoes and other vectors, such as rats and yellow jackets. The District also provides robust public outreach and an Education Program within the Marin and Sonoma County school systems. The District is governed by a twenty four (24) member appointed Board of Trustees that represents both counties and each City or Town. As of June 30, 2017, there were three vacant seats, Corte Madera, Petaluma and one Sonoma County at Large. The District covers an area of almost 2300 sq. miles and has a payroll of 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.

	<u>FY 2015/16</u>	<u>FY 2016/17</u>	<u>% CHANGE</u>
GENERAL REVENUE:			
Taxes and Assessments	\$ 8,311,314	\$ 8,623,157	3.75%
Use of Money and Property	41,424	57,377	38.51%
Other Revenues	182,889	224,529	22.77%
TOTAL GENERAL REVENUE	<u>\$ 8,535,627</u>	<u>\$ 8,905,063</u>	4.33%
TOTAL PROGRAM REVENUE	<u>\$ 206,210</u>	<u>\$ 114,302</u>	-44.57%
EXPENSES	<u>\$ 8,584,599</u>	<u>\$ 8,406,793</u>	-2.07%

The District has two main revenue components: Ad valorem taxes and the two Benefit Assessments. The District has experienced an increase in assessments and property tax revenue of 3.75%. Also, use of money and property (investment income) rose by 38.51% 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.

Marin-Sonoma Mosquito and Vector Control District

NET POSITION

	<u>FY 2015/16</u>	<u>FY 2016/17</u>	<u>% CHANGE</u>
TOTAL ASSETS	<u>\$ 19,472,738</u>	<u>\$ 20,953,073</u>	7.60%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,127,351</u>	<u>3,434,751</u>	61.46%
TOTAL LIABILITIES	<u>11,837,441</u>	<u>15,129,791</u>	27.81%
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>982,589</u>	<u>828,167</u>	-15.72%
NET POSITION:			
Net Investment in Capital Assets	5,976,063	5,748,705	-3.80%
Unrestricted	<u>1,841,231</u>	<u>2,681,161</u>	45.62%
TOTAL NET POSITION	<u>\$ 7,817,294</u>	<u>\$ 8,429,866</u>	7.84%

The District’s net position for FY 2015/16 was updated to include restated values due to the implementation of GASB 75 (refer to footnote 2H). The District’s net position for fiscal year 2016/17 increased by \$612,572.

Total Liabilities increased 27.81% in FY 2016/17. This reflects unpaid employee vacation and compensatory hours. Also calculated in this category are the other postemployment benefits (retiree health care).

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

The projected Budget for the 2017-18 Fiscal Year, as amended by the Board in November 2017, is \$8,841,287 with projected Revenues of \$8,703,777. Due to the projected shortfall of revenue compared with expenses, \$137,510 was drawn from net assets to balance the budget. The total amount allocated for Capital Replacement items is \$33,306. For fiscal year 2017/18 the District’s benefit assessments were increased as follows: Benefit Assessment (BA) #1 remained flat at \$12.00 per/parcel, BA #2 (Marin County and Zone A) to \$25.64 per/parcel and Zone B to \$24.52 per/parcel. The ad valorem tax collections were forecast to increase by 5.5% for Marin County and 3.5% for Sonoma County.

The following factors were considered in preparing the District’s Budget for the fiscal year 2017/18:

- An increase of 3.55% in Benefit Assessment #2 and an increase of 4.67% in the ad valorem taxes were predicted. The combined increase in revenue from both ad valorem taxes and benefit assessments was forecast to be 2.83% greater than for the prior fiscal year.
- Although higher than last year, the total amount of interest earned on monies invested is forecast to remain low. Following direction from the Budget and Executive Committees, staff looked into whether returns would be higher if funds were invested at the State Local Agency Investment Fund than with the County of Marin Treasury. Detailed comparison data showed that the historical rates of return were very similar and within a small fraction of one percent, so pursuing a change was deemed unworthy of further effort at present.
- Following labor negotiations, a successor memorandum of understanding (MOU) was signed with the employee group. The agreement, which took effect on August 16, 2017, lasts until June 30, 2020. Known changes in benefit costs were applied and estimates made based on historical trends for those costs that were not yet available. The MOUs incorporated increased financial contributions to benefit plans by the employees and also provided annual cost of living increases.

- The level of expenditures on capital replacement items was reduced by over \$100,000 compared to the prior budget year. No purchases of replacement vehicles or computer equipment were planned. For FY 2017/18, the threshold for a purchase to be considered a capital item was raised to \$5,000. Formerly, the District used a capitalization threshold of \$500. This change is in accord with guidelines published by national organizations such as the Government Finance Officers Association.
- To cope with costs that are rising faster than the rate of revenue increases, operating expenditures including travel, advertising, services and supplies were kept to a minimum wherever possible. Operating expenditures were forecast to increase by 0.97% compared with FY 2016/17.
- An updated set of ten-year financial forecasts prepared by NBS with staff assistance underscored the need to secure an additional source of stable long-term revenue in order to maintain services and operations at their current level.
- The District will continue its participation in the State's dead bird program. Costs may increase next year as the Mosquito & Vector Control Association modifies the method it employs to allocate the costs of operating the program.
- The District continued tick-borne disease surveillance and associated public outreach efforts, hosting several meetings of the Tick-borne Diseases Advisory Group.
- Continuing the District's plan to phase-in annual payment of the full annual required cost for Other Post-Employment Benefits (OPEB) over nine years, a budgetary allocation of \$354,000 was provided, representing the fourth year of deposits into the prefunding trust fund account established with the California Employees' Retiree Benefit Trust (CERBT). This amount is in addition to the usual "pay as you go" expenditures.
- The LNU Complex Fires that devastated thousands of properties in Sonoma County during October 2017 will likely cause a decrease in revenues associated with the damaged properties for several years to come. Staff at the County of Sonoma and the District are preparing an estimate of the likely financial impacts.

FUTURE EVENTS THAT WILL FINANCIALLY IMPACT THE DISTRICT

- Due to the failure of the District's 2015 proposed new benefit assessment, the District continues to operate in a fiscally constrained environment. Financial forecasts show that the District is now entering a period of annual structural deficits. To a modest extent, recent robust growth in ad valorem revenues has offset the flat revenue from Benefit Assessment #1, which supplies the great majority of the benefit assessment revenue, but this factor alone will be insufficient to meet long-term funding needs.
- Demand for services continues to increase year by year, straining the District's operational capacities at a time when two staff positions are being held vacant to deal with the budgetary concerns noted above.
- The District's most recent valuation of its unfunded OPEB liabilities as of July 1, 2017, showed a net increase in the unfunded accrued actuarial liability to slightly over \$10 million. A corresponding increase in the projected annual required cost (formerly known as the ARC, now the ADC) will continue to place added budgetary pressure on the District for many years, until the liability begins to decrease, some 20 years in the future. The Board was briefed on these issues at its November 2017 meeting.
- Over the last year, invasive *Aedes aegypti* and *albopictus* mosquitoes moved closer to the District, with new detections being made as close as Merced County. Although surveillance to-date has not detected these mosquitoes in the District's service area, it is very possible that they may spread here in the future. Other Districts' experience has been that substantial additional staffing, equipment, and supplies are needed to contain and attempt to eradicate such an infestation. Although the District maintains an emergency reserve of approximately \$1M to deal with a vector-borne disease emergency, in the event of a local invasive *Aedes* infestation, this amount could be depleted rapidly.

- Advanced technology in various forms will present opportunities for increased surveillance and treatment efficacy. Efficiencies may be realized in the future by the application of Unmanned Aerial Vehicle technology to vector control, potentially replacing manned helicopter flights and enabling personnel to operate in sensitive habitats with minimal impacts. Pilot projects are already under way at several mosquito districts and the passage of Assembly Bill 527 during 2017 paves the way for districts employing suitably qualified personnel to conduct aerial application of mosquito control materials. Although this technology is very promising and advancing rapidly, its implementation in the field of vector control is still in the early stages.
- Similarly, spectral analysis of high resolution satellite photographs show promise for cost-effective identification of unmaintained swimming pools and spas that can each produce thousands of mosquitoes. During 2017 the District used aerial photography to accomplish the same aim.
- A 2016 study conducted by Municipal Resource Group (MRG) examined the future costs associated with District's capital equipment and facility replacement needs for the next twenty years. The study concluded that the District should set aside considerably more funds annually than it has been doing for replacement of capital items such as vehicles, equipment and facility maintenance. Based on input from trustees and staff, MRG modified the study to maintain the existing balance of \$3.0M in the Capital Replacement Fund, and showed an annual average recommended fund contribution of approximately \$300,000, which is approximately twice the recent average annual spending on capital replacement items. Eventually these deferred replacement items will need to be addressed.

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, 2017

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments (Note 3)	\$13,157,046
Deposits held by VCJPA (Notes 3 and 8)	596,794
Accounts receivable	812,412
Property taxes receivable	272,564
Inventory (Note 2E)	365,552
Total current assets, net	15,204,368
Capital assets (Note 4):	
Nondepreciable:	
Land	675,000
Depreciable:	
Structures and improvements	6,674,176
Office equipment	615,293
Office furniture	47,879
Field equipment	323,556
Vehicles	2,271,199
Less: Accumulated depreciation	(4,858,398)
Total capital assets, net	5,748,705
Total Assets	20,953,073
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related (Note 6B)	3,047,751
OPEB Related (Note 7G)	387,000
Total Deferred Outflows of Resources	3,434,751
LIABILITIES	
Current liabilities:	
Compensated absences (Note 2F)	220,270
Total current liabilities	220,270
Non-current liabilities:	
Compensated absences (Note 2F)	269,220
Net OPEB obligation (Note 7D)	9,038,000
Collective net pension liability (Note 6B)	5,602,301
Total non-current liabilities	14,909,521
Total Liabilities	15,129,791
DEFERRED INFLOWS OF RESOURCES	
Pension related (Note 6B)	828,167
NET POSITION (Note 5)	
Net investment in capital assets	5,748,705
Unrestricted	2,681,161
Total Net Position	\$8,429,866

See accompanying notes to financial statements

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	<u>Program Revenues</u> Charges for Services	Net (Expense) Revenue and Change in Net Position
Governmental Activities:			
Public Health	(\$8,406,793)	\$114,302	(\$8,292,491)
Total Governmental Activities	<u>(\$8,406,793)</u>	<u>\$114,302</u>	<u>(8,292,491)</u>
General revenues:			
Taxes and assessments			8,623,157
Use of money and property			57,377
Other revenues			<u>224,529</u>
Total General Revenues			<u>8,905,063</u>
Change in Net Position			612,572
Net Position - Beginning, as restated (Note 2H)			<u>7,817,294</u>
Net Position - Ending			<u><u>\$8,429,866</u></u>

See accompanying notes to financial statements

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017

	General Fund	Capital Replacement Fund	Totals
ASSETS			
Cash and investments (Note 3)	\$10,048,219	\$3,108,827	\$13,157,046
Deposits with VCJPA (Notes 3 and 8)	596,794		596,794
Accounts receivable	812,412		812,412
Property taxes receivable	272,564		272,564
Inventory (Note 2E)	365,552		365,552
Total Assets	\$12,095,541	\$3,108,827	\$15,204,368
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - accounts receivable	\$683,960		\$683,960
Total Deferred Inflows of Resources	683,960		683,960
FUND BALANCES (Note 5)			
Nonspendable: deposits	596,794		596,794
Nonspendable: inventory	365,552		365,552
Committed for dry period funding	3,200,000		3,200,000
Assigned for future capital replacements		\$3,108,827	3,108,827
Unassigned	7,249,235		7,249,235
Total Fund Balances	11,411,581	3,108,827	14,520,408
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$12,095,541	\$3,108,827	\$15,204,368

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, 2017

FUND BALANCE OF GOVERNMENTAL FUNDS \$14,520,408

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	\$10,607,103	
Less: accumulated depreciation	(4,858,398)	5,748,705

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	683,960	
Compensated absences payable	(489,490)	
Other postemployment benefits payable	(9,038,000)	
Deferred outflows related to pension	3,047,751	
Deferred outflows related to OPEB	387,000	
Net pension liability	(5,602,301)	
Deferred inflows related to pension	(828,167)	(11,839,247)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$8,429,866

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, 2017

	General Fund	Capital Replacement Fund	Totals
REVENUES:			
Taxes and assessments	\$8,623,157		\$8,623,157
Use of money and property	42,803	\$14,574	57,377
Other revenues	236,803		236,803
Total Revenues	<u>8,902,763</u>	<u>14,574</u>	<u>8,917,337</u>
EXPENDITURES:			
Current:			
Salaries and benefits	5,480,977		5,480,977
General and administrative	1,706,295		1,706,295
Capital outlay		115,428	115,428
Total expenditures	<u>7,187,272</u>	<u>115,428</u>	<u>7,302,700</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,715,491</u>	<u>(100,854)</u>	<u>1,614,637</u>
OTHER FINANCING SOURCES (USES)			
Transfers in		138,525	138,525
Transfers (out)	(138,525)		(138,525)
Total other financing sources (uses)	<u>(138,525)</u>	<u>138,525</u>	
NET CHANGE IN FUND BALANCES	1,576,966	37,671	1,614,637
BEGINNING FUND BALANCES	<u>9,834,615</u>	<u>3,071,156</u>	<u>12,905,771</u>
ENDING FUND BALANCES	<u>\$11,411,581</u>	<u>\$3,108,827</u>	<u>\$14,520,408</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, 2017

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

NET CHANGE IN FUND BALANCES \$1,614,637

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	\$115,428	
Depreciation expense is not reportable in the governmental fund	<u>(342,786)</u>	(227,358)

Net Pension Liability Transactions

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.		(392,139)
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Other postemployment 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 in the current period.		(441,000)
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The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources, and therefore, are not reported as revenue or expenditures in governmental fund statements. The net changes are as follows:

Unearned revenue		102,028
Compensated absences		<u>(43,596)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$612,572</u></u>
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See accompanying notes to financial statements

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2017

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and assessments:				
Assessments	\$3,150,516	\$3,150,516	\$3,139,533	(\$10,983)
Current secured	4,052,454	4,052,454	4,486,214	433,760
Current unsecured	97,548	97,548	114,362	16,814
Prior unsecured	2,828	2,828	5,906	3,078
Homeowners' property tax relief	31,850	31,850	28,764	(3,086)
Annexation revenue	892,695	892,695	860,320	(32,375)
Supplemental assessments	66,535	66,535	(12,189)	(78,724)
Other aid			247	247
Total taxes and assessments	8,294,426	8,294,426	8,623,157	328,731
Use of money and property:				
Interest income	25,256	25,256	42,803	17,547
Other revenues:				
Contract work	115,000	115,000	114,302	(698)
Refunds and reimbursements			122,501	122,501
Total other revenues	115,000	115,000	236,803	121,803
Total Revenues	8,434,682	8,434,682	8,902,763	468,081
EXPENDITURES				
Current:				
Employees' compensation				
Salaries and compensated absences	3,293,549	3,293,549	3,175,677	117,872
Employee benefits	2,415,880	2,415,880	2,305,300	110,580
Total employees' compensation	5,709,429	5,709,429	5,480,977	228,452
Total expenditures forward	5,709,429	5,709,429	5,480,977	228,452

(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, 2017

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current:				
Total forward	\$5,709,429	\$5,709,429	\$5,480,977	\$228,452
General and administrative:				
Agriculture	847,025	847,025	396,355	450,670
Pest abatement supplies	14,300	14,300	9,679	4,621
Spray/field equipment	11,150	11,150	6,660	4,490
Source reduction equipment	13,750	13,750	11,890	1,860
Furniture, appliances and equipment	2,500	2,500	465	2,035
Clothing and personal supplies	30,300	30,300	25,950	4,350
Safety equipment	10,175	10,175	6,640	3,535
Communications	48,900	48,900	53,545	(4,645)
Food	3,900	3,900	3,796	104
District special expense	237,500	237,500	218,800	18,700
Household expense	7,350	7,350	6,397	953
Insurance	260,738	260,738	258,091	2,647
Accidents			763	(763)
Projects	14,000	14,000	325	13,675
Maintenance - equipment	95,400	95,400	75,853	19,547
Maintenance - ground/structures	16,650	16,650	11,070	5,580
Lab	15,500	15,500	8,317	7,183
Fish supplies	5,000	5,000	2,309	2,691
Disease surveillance	20,700	20,700	18,137	2,563
Memberships	39,000	39,000	36,329	2,671
Office expense	27,125	27,125	21,462	5,663
Professional and special services	471,280	471,280	280,820	190,460
Publications and legal notices	98,300	98,300	56,052	42,248
Rents and leases	8,050	8,050	7,373	677
Small tools and instruments	4,900	4,900	3,759	1,141
Minor construction/improvements	38,400	38,400	15,366	23,034
Education/public relations and printing	36,150	36,150	32,985	3,165
Education and training for employees	16,700	16,700	7,283	9,417
Travel and transportation	21,300	21,300	24,671	(3,371)
Fuel and oil	121,300	121,300	77,303	43,997
Utilities	27,950	27,950	27,850	100
Total general and administrative	2,565,293	2,565,293	1,706,295	858,998
Total expenditures	8,274,722	8,274,722	7,187,272	1,087,450

(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, 2017

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers in (out)			(\$138,525)	(\$138,525)
Total other financing sources (uses)			(138,525)	(138,525)
NET CHANGE IN FUND BALANCE	\$159,960	\$159,960	1,576,966	\$1,417,006
BEGINNING FUND BALANCE			9,834,615	
ENDING FUND BALANCE			\$11,411,581	

See accompanying notes to financial statements

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017, 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, 2017

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, 2017

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, 2017, the balance of compensated absences was \$489,490 of which \$220,270 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.

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Implementation of Governmental Accounting Standards Board (GASB) Pronouncement

The District early implemented the following GASB pronouncement for fiscal year ended June 30, 2017:

GASB Statement No. 75 - In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). The Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. The Statement is effective for periods beginning after June 15, 2017; however, the District has elected to implement effective July 1, 2016.

The early implementation of GASB Statement No. 75 required the District to make prior period adjustments. As a result, the beginning net position of the Governmental Activities was reduced by \$962,765 as part of this implementation. See Note 7 for additional information.

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.

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017:

Cash on hand	\$350
Deposits with financial institutions	41,935
County of Marin Treasury	13,114,761
Sub-total	13,157,046
Deposits with VCJPA	596,794
Total cash and investments	\$13,753,840

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, 2017 was provided by the County Treasurer.

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

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 3 - CASH AND INVESTMENTS (Continued)

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.

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 \$500. 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, 2017, was as follows:

	Balance June 30, 2016	Additions	Retirements	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$675,000			\$675,000
Total capital assets not being depreciated	675,000			675,000
Capital assets being depreciated:				
Structures and improvements	6,674,176			6,674,176
Office equipment	587,806	\$59,272	(\$33,856)	613,222
Office furniture	49,950			49,950
Field equipment	274,400	56,156	(7,000)	323,556
Vehicles	2,271,199			2,271,199
Total capital assets being depreciated	9,857,531	115,428	(40,856)	9,932,103
Accumulated depreciation:				
Structures and improvements	(2,061,822)	(153,922)		(2,215,744)
Office equipment	(323,910)	(17,879)	33,856	(307,933)
Office furniture	(49,950)			(49,950)
Field equipment	(273,465)	(29,456)	7,000	(295,921)
Vehicles	(1,847,321)	(141,529)		(1,988,850)
Total accumulated depreciation	(4,556,468)	(342,786)	40,856	(4,858,398)
Total capital assets, being depreciated, net	5,301,063	(\$227,358)		5,073,705
Capital assets, net	\$5,976,063			\$5,748,705

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017.

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

B. Fund Balance

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

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

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

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

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017, are summarized as follows:

	Miscellaneous	
	Tier 1 - Classic	Tier 2 - PEPRA
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55.5	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	100%	100%
Required employee contribution rates	7.83% - 13.71%	8.23%
Required employer contribution rates	33.78%	27.24%

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017, the contributions recognized as part of pension expense for the Plans were as follows:

	Miscellaneous
Contributions - employer	\$994,927

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$5,602,301
Total Net Pension Liability	\$5,602,301

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, 2016, 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, 2015 rolled forward to June 30, 2016 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, 2015 and 2016 was as follows:

	Miscellaneous
Proportion - June 30, 2015	1.0675%
Proportion - June 30, 2016	1.1722%
Change - Increase (Decrease)	0.1047%

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 6 – PENSION PLANS (Continued)

For the year ended June 30, 2017, the District recognized pension expense of \$869,155. At June 30, 2017, 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	\$994,927	
Differences between actual and expected experience		\$183,879
Changes in assumptions	848,401	-
Difference between District contributions and proportionate share of contributions	39,362	57,680
Change in proportion	659,453	586,608
Net differences between projected and actual earnings on plan investments	505,608	-
Total	\$3,047,751	\$828,167

\$994,927 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, 2018. 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	
2018	\$423,338
2019	93,075
2020	457,210
2021	251,038

**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 6 – PENSION PLANS (Continued)

Actuarial Assumptions – The total pension liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2015, 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, 2016
Valuation Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Rate of Return	7.25%
Projected Salary Increase	3.00% plus merit component based on employee classification and years of service
Cost of Living Adjustments	2.75%
Inflation	3.00%
Post Retirement COLA	Assumed at the rate of 2.7% for members with a 4% COLA cap, 2.6% for members with a 3% COLA cap, and 1.9% for members with a 2% COLA cap
Mortality	CalPERS 2014 Pre-Retirement Non-Industrial Death rates (plus Duty-Related Death rates for Safety Members), with the 20-year static projection used by CalPERS replaced by generational improvements from a base year of 2009 using Scale MP-2014

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

We have assumed that the employees will continue to contribute to the Plan at the required rates and the employers will continue the historical and legally required practice of contributing to the Plan based on an actuarially determined contribution, reflecting a payment equal to annual Normal Cost, a portion of the expected Administrative Expenses, an amortization payment for the extraordinary losses from 2009 amortized over a closed period (23 years remaining as of the June 30, 2015 actuarial valuation) and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level percentage of payroll over a closed period (15 years remaining as of the June 30, 2015 actuarial valuation).

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017:

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The discount rate used to measure the Total Pension Liability was 7.25%. Related to the discount rate is the funding assumption that employees will continue to contribute to the plan at the required rates and employers will continue the historical and legally required practice of contributing to the plan based on an actuarially determined contribution, reflecting a payment equal to annual normal cost, a portion of the expected administrative expenses, an amortization payment for the extraordinary losses from 2009 amortized over a closed period (23 years remaining as of the June 30, 2015 actuarial valuation) and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level percentage of payroll over a closed period (15 years remaining as of the June 30, 2015 actuarial valuation).

**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

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 85%. A one percent increase in the discount rate decreases the TPL by approximately 11% and decreases the NPL by approximately 70%.

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

Description	1% Decrease	Discount Rate	1% Increase
	6.25%	7.25%	8.25%
Total Pension Liability	\$34,204,464	\$30,203,230	\$26,913,628
Fiduciary Net Position	24,600,929	24,600,929	24,600,929
Net Pension Liability	\$9,603,535	\$5,602,301	\$2,312,699
Fiduciary Net Position as a Percentage			
of the Total Pension Liability	71.9%	81.5%	91.4%

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 and Funding Policy

The District provides post-employment medical benefits to retirees and retirees' spouses (for employees hired prior to July 1, 2009) as long as the retiree had 10 years of service vested with the District and had reached age 50. Employees hired on or after July 1, 2009 will receive benefits for themselves only as long as the retiree had 10 years of service vested with the District and had reached age 50. Participants are required to have continuity of medical coverage upon retirement in order to receive these medical benefits.

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

**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2017**

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Membership in the plan consisted of the following at June 30, 2017, the date of the latest actuarial valuation:

Active plan members	17
Inactive employees or beneficiaries currently receiving benefit payments	0
Inactive employees entitled to but not yet receiving benefit payments	30
Total	47

B. Funding Policy and Actuarial Assumptions

During the fiscal year ended June 30, 2017, the District elected to early implement GASB 75, "Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions." This Statement replaces the requirements of Statement No. 45 and establishes new accounting and financial reporting requirements for OPEB plans. As a result, the funding policy and actuarial assumptions presented include elements of both the historical approach and the revised approach under GASB 75.

Under GASB 45, the District's funding policy requires a minimum annual contribution equivalent to the annual required contribution (ARC). Under GASB 75, this changes to an actuarial determined contribution which is made up of additional components including deferred outflows of resources and deferred inflows of resources.

The ARC was determined as part of a June 30, 2015 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 3.75% investment rate of return (b) 2.75% general inflation increase, and (c) a healthcare trend of declining annual increases ranging from 6.50% in 2017 to 4.75% for the year starting 2022. In addition, the fixed dollar benefit amounts are assumed to be held flat in the future and the premium related benefits are assumed to increase with the healthcare trend rate.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the District and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the District and plan members at that point. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biennially as results are compared to past expectations and new estimates are made about the future. The District's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 23-year fixed period starting in 2016/2017 in its June 30, 2015 actuarial valuation.

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2014 through June 30, 2015.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	57%	5.35%
Fixed Income	27%	1.55%
TIPS	5%	1.53%
Commodities	3%	1.90%
REITs	8%	4.03%
Total	100%	
Assumed Long-Term Rate of Inflation		2.75%
Assumed Long-Term Investment Expenses		0.15%
Expected Long-Term Net Rate of Return		7.08%
Discount Rate		7.00%

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

C. Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 %. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using the strategy to achieve the expected return.

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

D. 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, 2015 (Valuation Date)	\$8,747,000	\$120,000	\$8,627,000
Changes Recognized for the Measurement Period:			
Service Cost	213,000		213,000
Interest on the total OPEB liability	618,000		618,000
Changes in benefit terms			-
Difference between expected and actual experience			-
Changes of assumptions			-
Contributions from the employer		417,000	(417,000)
Net investment income		3,000	(3,000)
Administrative expenses			-
Benefit payments and refunds	(248,000)	(248,000)	-
Net Changes during July 1, 2015 to June 30, 2016	583,000	172,000	411,000
Balance at June 30, 2016 (Measurement Date)	\$9,330,000	\$292,000	\$9,038,000

The benefit payments and refunds includes implied subsidy benefit payments in the amount of \$49,000.

E. 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 percent) or 1-percentage-point higher (8.25 percent) than the current discount rate:

Plan's Net OPEB Liability/(Asset)		
Discount Rate -1% (6%)	Current Discount Rate (7%)	Discount Rate +1% (8%)
\$10,576,000	\$9,038,000	\$7,807,000

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

Plan's Net OPEB Liability/(Asset)		
Discount Rate -1%	Healthcare Cost Trend Rates	Discount Rate +1%
\$7,630,000	\$9,038,000	\$10,822,000

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

**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Components of OPEB Expense for fiscal year 2016-2017 were as follows:

Service Cost	\$213,000
Interest on Total OPEB Liability	618,000
Projected earning on investments	(14,000)
Recognition of deferred outflows/inflows:	
Asset Returns	2,000
OPEB Expense	\$819,000

Components of deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2017 were as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$9,000	-
Employer contributions made subsequent to the measurement date	378,000	-
Total	\$387,000	-

The difference between projected OPEB plan investment earnings and actual earnings is amortized over a five year period. The remaining gains and losses are amortized over the expected average remaining service life. The expected average remaining service life for the 2015-16 measurement period is 4.0 years.

\$378,000 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Measurement Period Ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$2,000	
2019	2,000	
2020	2,000	
2021	3,000	
Thereafter	-	
	\$9,000	-

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

H. *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, 2017

NOTE 8 – RISK MANAGEMENT (Continued)

The following is a summary of the insurance policies in force carried by the Authority as of June 30, 2017:

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

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

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

In accordance with GASB 10, the District has recorded its deposit with VCJPA as an asset at June 30, 2017. The District had no claims losses outstanding at June 30, 2017. Settled claims for the District have not exceeded coverage in any of the past three years.

The District has reserves of \$596,794 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	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2016</u>
District's proportionate share	1.3670%	1.0675%	1.1722%
Proportionate share of total pension liability	\$30,836,408	\$26,359,459	\$30,203,230
Proportionate share of fiduciary net position	<u>27,458,012</u>	<u>22,224,119</u>	<u>24,600,929</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>
Plan fiduciary net position as a percentage of the total pension liability	89.04%	84.31%	81.45%
Covered payroll	\$3,105,278	\$2,845,790	\$2,856,069
Net pension liability as a percentage of covered payroll	108.80%	145.31%	196.15%

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

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

Measurement Date	<u>6/30/2014</u>	<u>6/30/2015</u>	<u>6/30/2016</u>
District's proportionate share	1.3670%	1.0675%	1.1722%
Proportionate share of total pension liability	\$30,836,408	\$26,359,459	\$30,203,230
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Net pension liability as a percentage of covered payroll	108.80%	145.31%	196.15%

* The fiscal year ended June 30, 2015 was the first year of implementation, therefore only three 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, 2017

Last Ten Fiscal Years *

Other Post-Employment Benefits (OPEB)

Measurement period	June 30, 2016
Total OPEB liability	
Service cost	\$213,000
Interest	618,000
Differences between expected and actual experience	-
Assumption changes	-
Benefit payments, including refunds of employee contributions	(248,000)
Net change in total OPEB liability	583,000
Total OPEB liability - beginning	8,747,000
Total OPEB liability - ending (a)	\$9,330,000
OPEB fiduciary net position	
Contributions - employer	\$417,000
Net investment income	3,000
Benefit payments, including refunds of employee contributions	(248,000)
Administrative expense	-
Net change in plan fiduciary net position	172,000
Plan fiduciary net position - beginning	120,000
Plan fiduciary net position - ending (b)	\$292,000
Plan net OPEB liability - ending (a) - (b)	\$9,038,000
Plan fiduciary net position as a percentage of the total OPEB liability	3.13%
Covered-employee payroll	\$2,709,398
Plan net OPEB liability as a percentage of covered-employee payroll	333.58%

* 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, 2017**

Last Ten Fiscal Years *

Other Post-Employment Benefits (OPEB)

	2016-17
Actuarially determined contribution	\$817,000
Contributions in relation to the actuarially determined contribution	378,000
Contribution deficiency (excess)	\$439,000
Covered-employee payroll	\$2,747,596
Contributions as a percentage of covered-employee payroll	13.76%

* 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.

The June 30, 2017 actuarial valuation provided the Actuarially Determined Contributions for fiscal years ending 06/30/17.

Notes to Schedule:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level percentage of payroll increasing at 3% per year, over 23-year period starting 2016/2017
Remaining Amortization	23 years remaining as of June 30, 2016
Asset Valuation Method	Market value of assets
Discount Rate	Select & Ultimate rate 4.47% in 2015/2016 and reaching 7.00% in 2022/2023 Based on 7% prefunding rate and 3.75% no prefunding rates

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

**MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS**

FOR THE YEAR ENDED JUNE 30, 2017

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**MARIN/SONOMA MOSQUITO AND
VECTOR CONTROL DISTRICT
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS**

For the Year Ended June 30, 2017

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MEMORANDUM ON INTERNAL CONTROL

To the 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, 2017, 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.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

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". The signature is written in a cursive, flowing style.

Pleasant Hill, California
December 4, 2017

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MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

The following pronouncements are effective in fiscal year 2017/18:

GASB 81 - Irrevocable Split-Interest Agreements

The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

How the Changes in This Statement Improve Financial Reporting

This Statement enhances the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. This Statement also enhances the decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying the resources that are available for the government to carry out its mission.

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REQUIRED COMMUNICATIONS

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

We have audited the basic financial statements of the Marin/Sonoma Mosquito and Vector Control District (District) for the year ended June 30, 2017. 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 included 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 except as follows:

The following Governmental Accounting Standards Board (GASB) pronouncements became effective, but did not have a material effect on the financial statements:

- GASB 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- GASB 74 – *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*
- GASB 77 – *Tax Abatement Disclosures*
- GASB 78 – *Pensions Provided through Certain Multiple – Employer Defined Benefit Pension Plans*
- GASB 80 – *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*
- GASB 82 – *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*

The following GASB pronouncement becomes effective in fiscal year 2018. However, the District elected to early adopt the provisions of this Statement in fiscal year 2017. As disclosed in Note 2H to the financial statements, this Statement required a prior period adjustment for the cumulative effect on the financial statements.

GASB Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

The objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). The Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, as amended*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*.

Unusual Transactions, Controversial or Emerging Areas

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

Accounting Estimates

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

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

Estimated Fair Value of Investments: As of June 30, 2017, the District held approximately \$13.8 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, 2017. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2017.

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 4, 2017.

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.

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.

Maze & Associates

Pleasant Hill, California
December 4, 2017