

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2016



COACHELLA VALLEY MOSQUITO AND VECTOR CONTROL DISTRICT

43-420 TRADER PLACE, INDIO, CALIFORNIA 92201



Mission Statement

We are dedicated to enhancing the quality of life for our community by providing effective and environmentally sound vector control and disease prevention programs through research, development, and public awareness.

**Coachella Valley Mosquito and Vector Control District
Board of Trustees as of June 30, 2016**

| <u>Representing</u> | <u>Name</u> | <u>Title</u> | <u>Appointment</u> | <u>Term Expiration</u> |
|----------------------------|------------------|----------------|--------------------|------------------------|
| City of Palm Desert | Doug Walker | President | 2007 | 2017 |
| City of Indio | Sam Torres | Vice President | 2011 | 2017 |
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| County of Riverside | Bito Larson | Secretary | 2012 | 2017 |
| City of Palm Springs | Dr. Douglas Kunz | Trustee | 2016 | 2017 |
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| City of Desert Hot Springs | Adam Sanchez | Trustee | 2015 | 2019 |
| City of Indian Wells | Nick Nigosian | Trustee | 2014 | 2017 |
| City of Rancho Mirage | Michael Monroe | Trustee | 2015 | 2017 |
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**Coachella Valley Mosquito and Vector Control District
Jeremy Wittie, MS, General Manager
43-420 Trader Place
Indio, CA 92201 • (760) 342-8287
www.cvmvcd.org**

Coachella Valley Mosquito and Vector Control District

Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2016 and 2015

**Coachella Valley Mosquito and Vector Control District
Comprehensive Annual Financial Report
For the Fiscal Years Ended June 30, 2016 and 2015**

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Introductory Section



Coachella Valley Mosquito and Vector Control District

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E-mail: CVmosquito@cvmvcd.org • Website: www.cvmvcd.org

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Palm Springs

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Rancho Mirage

JEREMEY WITTIE, MS
General Manager

November 8, 2016

To the Members of the Board of Trustees and Residents of the Coachella Valley:

State law requires special districts to annually publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial statements of the Coachella Valley Mosquito and Vector Control District (District) for the fiscal year ended June 30, 2016.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. As the cost of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable, rather than, absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Fedak & Brown LLP, Certified Public Accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District, for the fiscal year ended June 30, 2016, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements, for the fiscal year ended June 30, 2016, were fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The Coachella Valley Mosquito and Vector Control District was formed March 12, 1928 under Section 2000 et. seq. of the California Health and Safety Code. It is a special district established by the Riverside County Board of Supervisors primarily for controlling eye gnats. In 1951, the District added a program for mosquito control and in 1995 expanded to a full vector control agency.

The District is one of the largest mosquito and vector control districts in California. It serves the Coachella Valley, population approximately 430,000, and has a District boundary encompassing 2,400 sq. miles. The operating budget is \$8.3 million, funding comes from property taxes and a Benefit Assessment. The District employs 57 full-time staff, increased with seasonal staff beginning early summer. The District has been at its present purpose built location in Indio, California since 2001.

The District is governed by a Board of Trustees comprised of 11 members. Each of the nine cities of the Coachella Valley appoints a member and the County of Riverside appoints two members. The General Manager and Legal Counsel report to the Board. The Board meets monthly, every second Tuesday, at 6:00pm.

The annual budget serves as the foundation for the District's financial planning and control. All departments of the District are required to submit requests for appropriations to the Administrative Finance Manager on or before March 20 each year. The General Manager, together with the Administrative Finance Manager and the Finance Committee prepare the draft budget. The Board conducts a public hearing on the proposed budget and adopts a preliminary budget no later than June 30 and a final budget no later than August 1. The appropriated budget is prepared by fund (e.g. general), which is the legal level of budgetary control. The General Manager may approve transfers of appropriations within a department (e.g. underspend on small tools and overspend on office supplies). Transfers of appropriations between funds, however, require the specific approval of the Board. Budget-to-actual comparisons are provided in this report for the District's general fund.

Factors Affecting Financial Condition

The Coachella Valley is a national destination for tourists and conventions, the population is supplemented each year with seasonal residents returning to their second homes. The area is also an important national retirement center, and accordingly a large part of the local economy caters to an aging population such as the health care industry, retail, restaurants, and golf courses. The Coachella Valley's economy is based on providing services to tourists, conventions, seasonal second homeowners, and retirees. A significant proportion of the job base is in retail, consumer services, hotels, amusement, and construction. Agriculture is also a significant player in the labor market.

The Coachella Valley's employment is made up of 24% retail industry, 15% in hotel and amusement, 10% in agriculture, and 10% in healthcare. In 2008 before the recession, construction accounted for 10.5% of the total workforce in 2015 it was 5.1%. During the recession and resulting slowdown in the economy, saw a decline in construction projects and falling demand in the hotel and amusement sector. This saw a fall of employment in these sectors, the unemployment rate in Riverside County rose to 14.7 % in 2010, but has since recovered to 6.9%, as of August 2016.

The District receives its revenue from property taxes, redevelopment agency tax increment, and a Benefit Assessment. Coinciding with the property boom prior to 2008, revenue from property tax rose proportionally with the increase of new homes being built in the Coachella Valley and the property values of existing home sales. Following the recession the property tax receipts fell each year. In FY 2014-2015 property tax receipts increased 8 % over previous year and in FY 2015-2016 these increased a further 4.7 %.

Following the 2011 Redevelopment Dissolution Act (ABX1 26), Redevelopment Agencies (RDAs) and redevelopment pass thru revenue cease to exist. RDA pass thru accounted for 39 percent of the budgeted revenue in FY 2011-2012 budget. Since dissolution of RDAs, the County has taken responsibility to distribute the property taxes to the affected taxing agencies. The County auditor distributes to the District twice annually the amount that the District would have received, if the RDA still existed. For FY 2015-2016 the property tax increment was 7 % higher than the prior year, property tax revenue for the same period rose because of higher property values. The Benefit Assessment rate is \$6.07 per single family equivalent (SFE), giving a total receipt of \$955,039 in FY 2015-2016.

Short-term financial planning

The District receives the majority of its funding from the property taxes and benefit assessment, collected by the County of Riverside. These funds do not reach the District until January, with a 10% advance on property taxes in December. There is a six month delay in receiving revenue from the beginning of the fiscal year. The District Fund Balance Policy recommends a Reserve for Operations at minimum balance of around 60% of the operating budget to meet general operating expenses. For FY 2016-2017 Reserves for Operations beginning fund balance is \$5,621,462.

Long-term financial planning

At the end of FY 2015-16 invasive *Aedes aegypti* mosquito was detected in the City of Coachella. This species of mosquito has potential to spread dengue fever, chikungunya, yellow fever and Zika viruses. The long term effect on operations could be increased expenditure in the area of staffing, chemical control products and aerial services. During fiscal year 2014-15, the District completed the capital project IF4 Laboratory Expansion and Enhancement. This involved developing and expanding the laboratory allowing staff to confirm results from surveillance tests within 24 to 72 hours, resulting in a faster control response and ultimately more focus and rapid mosquito control. Construction cost was \$3 million paid for by designated reserves. In FY 2008-09, the District had environmental remediation work done at its Thermal facility which involved paving the whole area with asphalt. In ten years this has to be repaved, designated funds have been set aside on an annual basis, to pay for this remediation liability. The District also has adequate funding to replace the entire fleet of vehicles within five years. The District has 13.64 acres of undeveloped land which is subdivided into 15 industrial blue top lots appraised with a market value, as of May 25, 2015, of \$1,080,000, as one property.

Emergency Service Reserve

The Coachella Valley Mosquito-borne Virus Surveillance and Response Plan is based on the California Mosquito-borne Virus Surveillance and Response Plan. The plan describes an enhanced surveillance and response program for the Coachella Valley dependent on the level of risk of mosquito-borne virus transmission to humans, and identifies response levels as normal season, emergency planning, and epidemic, depending on risk assessment factors. The amount of \$3,123,034, designated for the Emergency Service Reserve, is based on the response level for an epidemic. Funding required is for contract with the aviation companies, that use twin turbine aircraft, available for spray operations, public health emergencies and emergency responses over the populated areas - at the cost that includes control products (\$1.78/acre), and cost of spraying (\$.83/acre), for a minimum of 130,000 acres, and minimum of three flights, not to exceed 10 flights, over the Coachella Valley.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015. This was the seventh consecutive year that the District has achieved this prestigious national award. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting. In order to be awarded a Certificate of Achievement, the District has to publish an easily readable and efficiently organized CAFR, and satisfy both GAAP and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program’s requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the District staff. We would like to express our appreciation to all employees of the District who assisted and contributed in the preparation of this report. Credit must also be given to the Board of Trustees, particularly the Finance Committee, for their unfailing support in maintaining the highest standards of professionalism in the management of the District’s finances.

Respectfully submitted,

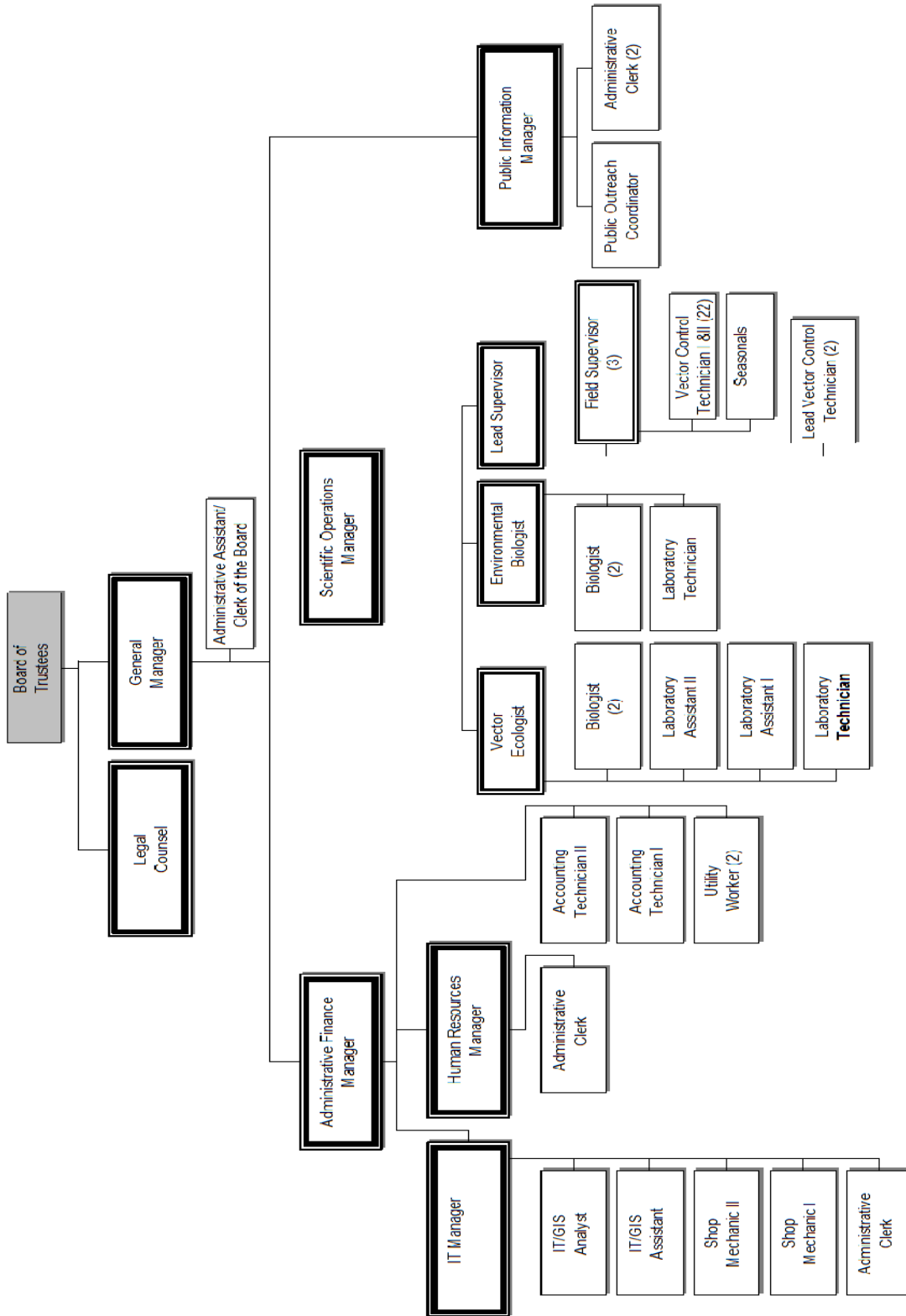


Jeremy Wittie, MS
General Manager

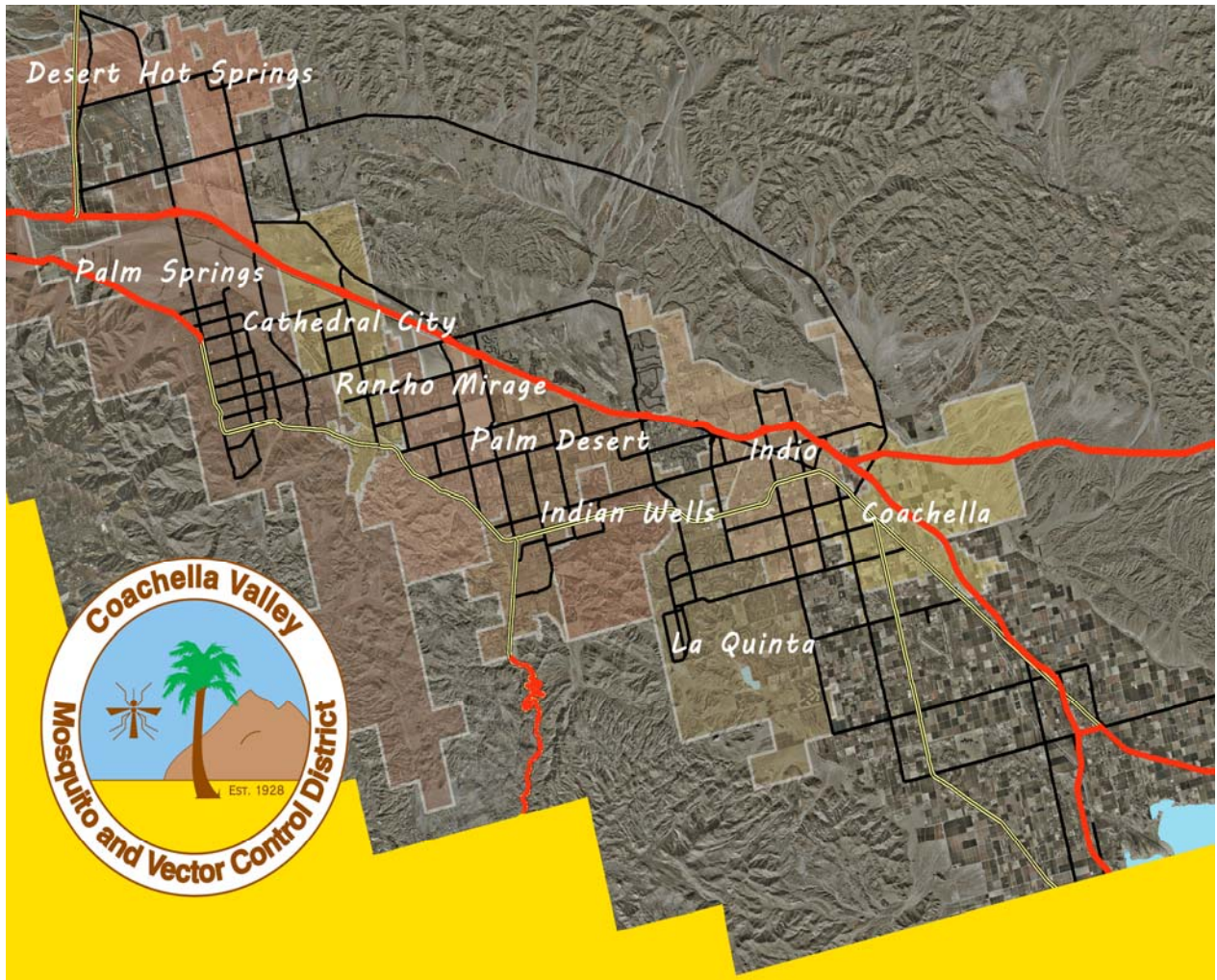


David I'Anson
Administrative Finance Manager

Coachella Valley Mosquito and Vector Control District
Organizational Chart
For the Fiscal Year Ended June 30, 2016



Coachella Valley Mosquito and Vector Control District
Service Area Map
For the Fiscal Year Ended June 30, 2016





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
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Presented to

**Coachella Valley
Mosquito and Vector Control District
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Financial Section



Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
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Independent Auditor's Report

Board of Trustees
Coachella Valley Mosquito and Vector Control District
Indio, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of Coachella Valley Mosquito Vector Control District (District) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Coachella Valley Mosquito Vector Control District as of June 30, 2016 and 2015, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditor's Report, *continued*

Emphasis of matter

As described in note 1 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72 – *Fair Value Measurement and Application*, GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants*, for the year ended June 30, 2016, GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71 – *Pension Transition for Contributions made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, for the year ended June 30, 2015. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9 through 14, and the required supplementary information on pages 49 and 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The introductory section on pages 1 through 6 and the statistical section on pages 53 through 68 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated November 8, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 69 and 70.

Fedak & Brown LLP

Fedak & Brown LLP

Cypress, California

November 8, 2016

Coachella Valley Mosquito and Vector Control District
Management's Discussion and Analysis
For the Fiscal Years Ended June 30, 2016 and 2015

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Coachella Valley Mosquito and Vector Control District (District), provides an introduction to the financial statements of the District for the fiscal years ended June 30, 2016 and 2015. We encourage readers to consider the information presented here with additional information that we have furnished in the accompanying basic financial statements and related notes, which follow this section.

Financial Highlights

- In fiscal year 2016, the District's net position decreased by 1.09% or \$229,480 to \$20,793,395, as a result of ongoing operations. In fiscal year 2015, the District's net position decreased 9.32% or \$2,159,950 to \$21,022,875, which is comprised of a decrease from operations of \$754,716 and a decrease from prior period adjustment in the amount of \$1,405,234. Please see note 4 to the basic financial statements for further discussion.
- In fiscal year 2016, the District's total revenues from all sources increased 5.38% or \$433,164 to \$8,485,088, primarily due to increases in property tax allocations of \$412,107. In fiscal year 2015, total revenues from all sources increased 0.70% or \$56,023 to \$8,051,924.
- In fiscal year 2016, total expenses decreased by 1.05% or \$92,072 to \$8,714,568. In fiscal year 2015, total expenses increased 6.14% or \$509,229 to \$8,806,640, primarily due to salary increases for District employees.

Using This Financial Report

This annual report consists of a series of financial statements. The Statements of Net Position and Statements of Activities provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position includes all of the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities) and deferred inflows of resources. It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statements of Activities. This statement measures the success of the District's operations over the past year and can be used to determine the District's net operating reserves and credit worthiness.

District Activities

The District is an independent special district, organized to specifically control mosquitoes, but has expanded service to involve other vector control activities. The District serves an area of approximately 2,400 square miles and 430,000 residents. The District utilizes an integrated vector management approach consisting of surveillance, sanitation, education and the judicious use of insecticides and rodenticides. The District also has a public education responsibility that serves the District's residences and provides technical support to other public service agencies.

Coachella Valley Mosquito and Vector Control District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2016 and 2015

Government-wide Financial Statements

Statements of Net Position and Statements of Activities

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

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

Governmental Funds Financial Statements

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

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

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 23 through 48.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and supplementary information concerning the District's budgetary information and compliance.

Coachella Valley Mosquito and Vector Control District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2016 and 2015

Government-wide Financial Analysis

Condensed Statements of Net Position

| | 2016 | 2015 | Change |
|---------------------------------------|----------------------|-------------------|------------------|
| Assets: | | | |
| Current assets | \$ 14,742,033 | 15,093,588 | (351,555) |
| Capital assets, net | 11,188,461 | 11,565,887 | (377,426) |
| Total assets | 25,930,494 | 26,659,475 | (728,981) |
| Deferred outflows of resources | 338,926 | 258,524 | 80,402 |
| Liabilities: | | | |
| Current liabilities | 639,659 | 688,616 | (48,957) |
| Non-current liabilities | 4,222,901 | 4,507,091 | (284,190) |
| Total liabilities | 4,862,560 | 5,195,707 | (333,147) |
| Deferred inflows of resources | 613,465 | 699,417 | (85,952) |
| Net position: | | | |
| Net investment in capital assets | 11,188,461 | 11,565,887 | (377,426) |
| Unrestricted | 9,604,934 | 9,456,988 | 147,946 |
| Total net position | \$ 20,793,395 | 21,022,875 | (229,480) |

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the District exceeded liabilities and deferred inflows of resources by \$20,793,395 and \$21,022,875 as of June 30, 2016 and 2015, respectively.

A large portion of the District's net position (54% and 55% as of June 30, 2016 and 2015, respectively) reflects its investment in capital assets (net of accumulated depreciation); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services of the District; consequently, these assets are *not* available for future spending.

At the end of fiscal year 2016 and 2015, the District reflected a positive balance in its unrestricted net position of \$9,604,934 and \$9,456,988, respectively that may be utilized in future years. (See Note 12)

Condensed Statements of Activities

| Governmental Activities: | 2016 | 2015 | Change |
|---|----------------------|-------------------|------------------|
| Expenses: | | | |
| Mosquito and vector control operations | \$ 8,714,568 | 8,806,640 | (92,072) |
| Program revenues | 955,039 | 946,473 | 8,566 |
| General revenues | 7,530,049 | 7,105,451 | 424,598 |
| Total revenues | 8,485,088 | 8,051,924 | 433,164 |
| Change in net position | (229,480) | (754,716) | 525,236 |
| Net position, beginning of period, | 21,022,875 | 21,777,591 | (754,716) |
| Net position, end of period | \$ 20,793,395 | 21,022,875 | (229,480) |

Coachella Valley Mosquito and Vector Control District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2016 and 2015

Government-wide Financial Analysis, continued

The statements of activities show how the District's net position changed during the fiscal year. In fiscal year 2016, the District's net position decreased by 1.09% or \$229,480 to \$20,793,395, as a result of ongoing operations. In fiscal year 2015, net position decreased by \$2,159,950 as the result of a \$754,716 decrease from operations and a \$1,405,234 (Note 4) decrease from prior period adjustment related to the implementation of GASB 68.

Total Revenues

| | <u>2016</u> | <u>2015</u> | <u>Change</u> |
|---|---------------------|------------------|----------------|
| Program revenues: | | | |
| Charges for services – special benefit assessment | \$ 955,039 | 946,473 | 8,566 |
| Total program revenues | <u>955,039</u> | <u>946,473</u> | <u>8,566</u> |
| General revenues: | | | |
| Property taxes | 3,550,298 | 3,390,924 | 159,374 |
| Redevelopment agency – property tax increment | 3,859,864 | 3,607,131 | 252,733 |
| Interest earnings | 77,230 | 46,493 | 30,737 |
| Rental revenue | 15,979 | 15,853 | 126 |
| Other revenue | 26,678 | 45,050 | (18,372) |
| Total general revenues | <u>7,530,049</u> | <u>7,105,451</u> | <u>424,598</u> |
| Total revenues | <u>\$ 8,485,088</u> | <u>8,051,924</u> | <u>433,164</u> |

In 2016, the District's program revenues increased by 0.91% or \$8,566 to \$955,039. General revenues increased by 5.98% or \$424,598 to \$7,530,049. In 2015, the District's program revenues increased by 0.87% or \$8,153 to \$946,473. General revenues increased by 0.68% or \$47,870 to \$7,105,451.

Total Expenses

| | <u>2016</u> | <u>2015</u> | <u>Change</u> |
|---|---------------------|------------------|-----------------|
| Expenses: | | | |
| Mosquito and vector control operations: | | | |
| Salaries and wages | \$ 4,286,732 | 4,091,095 | 195,637 |
| Employee benefits | 1,722,667 | 2,032,668 | (310,001) |
| Field operations | 1,060,140 | 903,066 | 157,074 |
| Materials, services and supplies | 696,150 | 681,380 | 14,770 |
| Insurance | 186,663 | 300,358 | (113,695) |
| Contract agreements | 134,189 | 144,326 | (10,137) |
| Depreciation | 628,027 | 653,747 | (25,720) |
| Total expenses | <u>\$ 8,714,568</u> | <u>8,806,640</u> | <u>(92,072)</u> |

In 2016, total expenses decreased by 1.05% or \$92,072 to \$8,714,568. In 2015, total expenses increased by 6.14% or \$509,229 to \$8,806,640, primarily due to salary increase of District employees.

Coachella Valley Mosquito and Vector Control District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2016 and 2015

Governmental Funds Financial Analysis

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, the *unassigned fund balance* may serve as a useful measure of the government's net resources for spending at the end of the fiscal year.

As of June 30, 2016 and 2015, the District's General Fund reported a fund balance of \$14,321,049 and \$14,612,826. An amount of \$9,454,354 and \$10,122,393 as of June 30, 2016 and 2015 constitutes the District's *assigned fund balance*, which is available for specific future District operations. (See Note 13 for further information on the District's fund balances)

General Fund Budgetary Highlights

The final actual expenditures for the General Fund as of June 30, 2016 and 2015 were less than budgeted by \$624,713 and \$174,246, respectively. Actual revenues as of June 30, 2016 and 2015 were more than the anticipated budget by \$39,252 and \$163,333, respectively. (See Budgetary Comparison Schedule for General Fund under Required Supplementary Information section on page 49).

Capital Asset Administration

Changes in capital assets for 2016 were as follows:

| | <u>Balance 2015</u> | <u>Additions</u> | <u>Deletions/ Transfers</u> | <u>Balance 2016</u> |
|---------------------------|-------------------------|------------------|---------------------------------|-------------------------|
| Depreciable assets: | | | | |
| Non-depreciable assets | \$ 419,473 | - | - | 419,473 |
| Depreciable assets | <u>18,758,225</u> | <u>252,201</u> | <u>-</u> | <u>19,010,426</u> |
| Total capital assets | 19,177,698 | 252,201 | - | 19,429,899 |
| Accumulated depreciation | <u>(7,611,811)</u> | <u>(629,627)</u> | <u>-</u> | <u>(8,241,438)</u> |
| Total capital assets, net | <u>\$ 11,565,887</u> | <u>(377,426)</u> | <u>-</u> | <u>11,188,461</u> |

Changes in capital assets for 2015 were as follows:

| | <u>Balance 2014</u> | <u>Additions</u> | <u>Deletions/ Transfers</u> | <u>Balance 2015</u> |
|---------------------------|-------------------------|------------------|---------------------------------|-------------------------|
| Depreciable assets: | | | | |
| Non-depreciable assets | \$ 3,521,748 | - | (3,102,275) | 419,473 |
| Depreciable assets | <u>15,464,554</u> | <u>3,299,719</u> | <u>(6,048)</u> | <u>18,758,225</u> |
| Total capital assets | 18,986,302 | 3,299,719 | (3,108,323) | 19,177,698 |
| Accumulated depreciation | <u>(6,964,113)</u> | <u>(653,746)</u> | <u>6,048</u> | <u>(7,611,811)</u> |
| Total capital assets, net | <u>\$ 12,022,189</u> | <u>2,645,973</u> | <u>(3,102,275)</u> | <u>11,565,887</u> |

At the end of fiscal year 2016 and 2015, the District's investment in capital assets amounted to \$11,188,461 and \$11,565,887 (net of accumulated depreciation). This investment in capital assets includes buildings and improvements, vehicles, equipment, machinery and furniture and fixtures. (See Note 5)

Coachella Valley Mosquito and Vector Control District
Management's Discussion and Analysis, continued
For the Fiscal Years Ended June 30, 2016 and 2015

Conditions Affecting Current Financial Position

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

Requests for Information

The financial report is designed to provide the District's present users with a general overview of the District's basic finances and to demonstrate the District's accountability with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report, or wish to request additional information, please contact the District's Administrative Finance Manager, David I'Anson, at the Coachella Valley Mosquito and Vector Control District, 43-420 Trader Place, Indio, California 92201 or (760) 342-8287.

Basic Financial Statements

Coachella Valley Mosquito and Vector Control District
Statements of Net Position
June 30, 2016 and 2015

| | 2016 | 2015 |
|--|----------------------|-------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents (note 2) | \$ 12,978,829 | 13,515,123 |
| Accrued interest receivable | 15,153 | 6,072 |
| Property taxes and assessments receivable | 236,123 | 220,565 |
| Accounts receivable – other | 4,046 | 3,978 |
| Materials and supplies inventory | 455,400 | 467,719 |
| Prepayments and deposits | 1,052,482 | 880,131 |
| Total current assets | 14,742,033 | 15,093,588 |
| Non-current assets: | | |
| Capital assets – not being depreciated (note 5) | 419,473 | 419,473 |
| Capital assets – being depreciated, net (note 5) | 10,768,988 | 11,146,414 |
| Total non-current assets | 11,188,461 | 11,565,887 |
| Total assets | 25,930,494 | 26,659,475 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred pension outflows (note 3 and 11) | 338,926 | 258,524 |
| Total deferred outflows of resources | 338,926 | 258,524 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | 284,492 | 290,515 |
| Accrued payroll and benefits | 136,492 | 190,247 |
| Long term liabilities - due within one year: | | |
| Compensated absences (note 6) | 218,675 | 207,854 |
| Total current liabilities | 639,659 | 688,616 |
| Non-current liabilities: | | |
| Long term liabilities - due in more than one year: | | |
| Compensated absences (note 6) | 328,013 | 311,782 |
| Other post-employment benefits payable (note 7) | 1,172,619 | 1,167,754 |
| Pollution remediation obligation (note 8) | 2,100,000 | 2,100,000 |
| Net pension liability (note 11) | 622,269 | 927,555 |
| Total non-current liabilities | 4,222,901 | 4,507,091 |
| Total liabilities | 4,862,560 | 5,195,707 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred pension inflows (note 10 and 11) | 613,465 | 699,417 |
| Total deferred inflows of resources | 613,465 | 699,417 |
| NET POSITION | | |
| Net investment in capital assets | 11,188,461 | 11,565,887 |
| Unrestricted (note 12) | 9,604,934 | 9,456,988 |
| Total net position | \$ 20,793,395 | 21,022,875 |

See accompanying notes to the basic financial statements

Coachella Valley Mosquito and Vector Control District
Statements of Activities
For the Fiscal Years Ended June 30, 2016 and 2015

| | 2016 | 2015 |
|---|---------------|-------------|
| EXPENSES | | |
| Mosquito and vector control operations: | | |
| Salaries and wages | \$ 4,286,732 | 4,091,095 |
| Employee benefits | 1,722,667 | 2,032,668 |
| Field operations | 1,060,140 | 903,066 |
| Materials, services and supplies | 696,150 | 681,380 |
| Insurance | 186,663 | 300,358 |
| Contract agreements | 134,189 | 144,326 |
| Depreciation | 628,027 | 653,747 |
| Total expenses | 8,714,568 | 8,806,640 |
| PROGRAM REVENUES | | |
| Charges for services – special benefit assessment | 955,039 | 946,473 |
| Total program revenues | 955,039 | 946,473 |
| Net program expense | 7,759,529 | 7,860,167 |
| GENERAL REVENUES | | |
| Property taxes | 3,550,298 | 3,390,924 |
| Redevelopment agency – property tax increment | 3,859,864 | 3,607,131 |
| Interest earnings | 77,230 | 46,493 |
| Rental revenue | 15,979 | 15,853 |
| Other revenue | 26,678 | 45,050 |
| Total general revenues | 7,530,049 | 7,105,451 |
| Change in net position | (229,480) | (754,716) |
| Net position, beginning of period, as previously stated | 21,022,875 | 23,182,825 |
| Prior period adjustment (note 4) | - | (1,405,234) |
| Net position, beginning of period, as restated | 21,022,875 | 21,777,591 |
| Net position, end of period | \$ 20,793,395 | 21,022,875 |

See accompanying notes to the basic financial statements

Coachella Valley Mosquito and Vector Control District
Reconciliation of the Balance Sheet of Governmental
Type Funds to the Statement of Net Position
June 30, 2016

| | <u>General Fund</u> | <u>Reclassifications & Eliminations</u> | <u>Statement of Net Position</u> |
|---|-------------------------|---|--------------------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 12,978,829 | - | 12,978,829 |
| Accrued interest receivable | 15,153 | - | 15,153 |
| Property taxes and assessments receivable | 236,123 | - | 236,123 |
| Accounts receivable – other | 4,046 | - | 4,046 |
| Materials and supplies inventory | 455,400 | - | 455,400 |
| Prepaid expenses and deposits | 1,052,482 | - | 1,052,482 |
| Total current assets | <u>14,742,033</u> | <u>-</u> | <u>14,742,033</u> |
| Non-current assets: | | | |
| Capital assets – not being depreciated | - | 419,473 | 419,473 |
| Capital assets – being depreciated, net | - | 10,768,988 | 10,768,988 |
| Total non-current assets | <u>-</u> | <u>11,188,461</u> | <u>11,188,461</u> |
| Total assets | <u>14,742,033</u> | <u>11,188,461</u> | <u>25,930,494</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred pension outflows | - | 338,926 | 338,926 |
| Total deferred outflows of resources | <u>-</u> | <u>338,926</u> | <u>338,926</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | 284,492 | - | 284,492 |
| Accrued payroll and benefits | 136,492 | - | 136,492 |
| Compensated absences | - | 218,675 | 218,675 |
| Total current liabilities | <u>420,984</u> | <u>218,675</u> | <u>639,659</u> |
| Non-current liabilities: | | | |
| Compensated absences | - | 328,013 | 328,013 |
| Other post-employment benefits payable | - | 1,172,619 | 1,172,619 |
| Pollution remediation obligation | - | 2,100,000 | 2,100,000 |
| Net pension liability | - | 622,269 | 622,269 |
| Total non-current liabilities | <u>-</u> | <u>4,222,901</u> | <u>4,222,901</u> |
| Total liabilities | <u>420,984</u> | <u>4,441,576</u> | <u>4,862,560</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred pension inflows | - | 613,465 | 613,465 |
| Total deferred inflows of resources | <u>-</u> | <u>613,465</u> | <u>613,465</u> |
| Fund balance: (note 13) | | | |
| Nonspendable | 1,507,882 | (1,507,882) | - |
| Committed | 3,358,633 | (3,358,633) | - |
| Assigned | 9,454,534 | (9,454,534) | - |
| Total fund balance | <u>\$ 14,321,049</u> | <u>(14,321,049)</u> | <u>-</u> |
| Net position: | | | |
| Net investment in capital assets | | \$ 11,188,461 | 11,188,461 |
| Unrestricted (note 12) | | 9,604,934 | 9,604,934 |
| Total net position | | <u>\$ 20,793,395</u> | <u>20,793,395</u> |

Coachella Valley Mosquito and Vector Control District
Reconciliation of the Balance Sheet of Governmental
Type Funds to the Statement of Net Position, continued
June 30, 2016

Reconciliation:

| | | |
|---|-----------|---------------------------------|
| Fund balance of governmental funds | \$ | 14,321,049 |
| Amounts reported for governmental activities in the statement of net position is different because: | | |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. | | 11,188,461 |
| Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities both current and long-term, are reported in the Statement of Net Position. | | |
| Compensated absences | | (546,688) |
| Other post-employment benefits payable | | (1,172,619) |
| Pollution remediation obligation | | (2,100,000) |
| Net pension liability | | (622,269) |
| Deferred inflows of resources | | (613,465) |
| Deferred outflows of resources | | <u>338,926</u> |
| Net position of governmental activities | \$ | <u><u>20,793,395</u></u> |

See accompanying notes to the basic financial statements

Coachella Valley Mosquito and Vector Control District
Reconciliation of the Balance Sheet of Governmental
Type Funds to the Statement of Net Position
June 30, 2015

| | <u>General Fund</u> | <u>Reclassifications & Eliminations</u> | <u>Statement of Net Position</u> |
|---|-------------------------|---|--------------------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 13,515,123 | - | 13,515,123 |
| Accrued interest receivable | 6,072 | - | 6,072 |
| Property taxes and assessments receivable | 220,565 | - | 220,565 |
| Accounts receivable – other | 3,978 | - | 3,978 |
| Materials and supplies inventory | 467,719 | - | 467,719 |
| Prepaid expenses and deposits | 880,131 | - | 880,131 |
| Total current assets | <u>15,093,588</u> | <u>-</u> | <u>15,093,588</u> |
| Non-current assets: | | | |
| Capital assets – not being depreciated | - | 419,473 | 419,473 |
| Capital assets – being depreciated, net | - | 11,146,414 | 11,146,414 |
| Total non-current assets | <u>-</u> | <u>11,565,887</u> | <u>11,565,887</u> |
| Total assets | <u>15,093,588</u> | <u>11,565,887</u> | <u>26,659,475</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred pension outflows | - | 258,524 | 258,524 |
| Total deferred outflows of resources | <u>-</u> | <u>258,524</u> | <u>258,524</u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | 290,515 | - | 290,515 |
| Accrued payroll and benefits | 190,247 | - | 190,247 |
| Compensated absences | - | 207,854 | 207,854 |
| Total current liabilities | <u>480,762</u> | <u>207,854</u> | <u>688,616</u> |
| Non-current liabilities: | | | |
| Compensated absences | - | 311,782 | 311,782 |
| Other post-employment benefits payable | - | 1,167,754 | 1,167,754 |
| Pollution remediation obligation | - | 2,100,000 | 2,100,000 |
| Net pension liability | - | 927,555 | 927,555 |
| Total non-current liabilities | <u>-</u> | <u>4,507,091</u> | <u>4,507,091</u> |
| Total liabilities | <u>480,762</u> | <u>4,714,945</u> | <u>5,195,707</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred pension inflows | - | 699,417 | 699,417 |
| Total deferred inflows of resources | <u>-</u> | <u>699,417</u> | <u>699,417</u> |
| Fund balance: (note 13) | | | |
| Nonspendable | 1,347,850 | (1,347,850) | - |
| Committed | 3,142,583 | (3,142,583) | - |
| Assigned | 10,122,393 | (10,122,393) | - |
| Total fund balance | <u>\$ 14,612,826</u> | <u>(14,612,826)</u> | <u>-</u> |
| Net position: | | | |
| Net investment in capital assets | | \$ 11,565,887 | 11,565,887 |
| Unrestricted (note 12) | | 9,456,988 | 9,456,988 |
| Total net position | | <u>\$ 21,022,875</u> | <u>21,022,875</u> |

**Coachella Valley Mosquito and Vector Control District
Reconciliation of the Balance Sheet of Governmental
Type Funds to the Statement of Net Position, continued
June 30, 2015**

Reconciliation:

| | | |
|---|-----------|---------------------------------|
| Fund balance of governmental funds | \$ | 14,612,826 |
| Amounts reported for governmental activities in the statement of net position is different because: | | |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. | | 11,565,887 |
| Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities both current and long-term, are reported in the Statement of Net Position. | | |
| Compensated absences | | (519,636) |
| Other post-employment benefits payable | | (1,167,754) |
| Pollution remediation obligation | | (2,100,000) |
| Net pension liability | | (927,555) |
| Deferred inflows of resources | | (699,417) |
| Deferred outflows of resources | | <u>258,524</u> |
| Net position of governmental activities | \$ | <u><u>21,022,875</u></u> |

See accompanying notes to the basic financial statements

Coachella Valley Mosquito and Vector Control District
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Type Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2016

| | General Fund | Reclassifications & Eliminations | Statement of Activities |
|---|-------------------------|---|------------------------------------|
| REVENUES | | | |
| Property taxes | \$ 3,550,298 | - | 3,550,298 |
| Redevelopment agency property tax increment | 3,859,864 | | 3,859,864 |
| Charges for services – special benefit assessment | 955,039 | - | 955,039 |
| Interest earnings | 77,230 | - | 77,230 |
| Rental revenue | 15,979 | - | 15,979 |
| Other revenue | 26,678 | - | 26,678 |
| | 8,485,088 | - | 8,485,088 |
| EXPENDITURES/EXPENSES | | | |
| Mosquito and vector control operations: | | | |
| Salaries and wages | 4,275,911 | 10,821 | 4,286,732 |
| Employee benefits | 1,717,802 | 4,865 | 1,722,667 |
| Field operations | 1,060,140 | - | 1,060,140 |
| Materials, services and supplies | 696,150 | - | 696,150 |
| Insurance | 186,663 | - | 186,663 |
| Contract agreements | 134,189 | - | 134,189 |
| Capital outlay | 252,201 | (252,201) | - |
| Depreciation | - | 628,027 | 628,027 |
| | 8,323,056 | 391,512 | 8,714,568 |
| Change in net position | 162,032 | (391,512) | (229,480) |
| Fund balance/Net position – beginning | 14,159,017 | - | 21,022,875 |
| Fund balance/Net position – end | \$ 14,321,049 | - | 20,793,395 |

Reconciliation:

Net changes in fund balance of governmental fund \$ 162,032

Amounts reported for governmental activities in the statement of activities is different because:

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenses in governmental funds as follows:

| | |
|--|----------|
| Net change in compensated absences | (10,821) |
| Net change in other post-employment benefits payable | (4,865) |

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

(375,826)

Change in net position of governmental activities \$ (229,480)

See accompanying notes to the basic financial statements

Coachella Valley Mosquito and Vector Control District
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Type Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015

| | General Fund | Reclassifications & Eliminations | Statement of Activities |
|---|-------------------------|---|------------------------------------|
| REVENUES | | | |
| Property taxes | \$ 3,390,924 | - | 3,390,924 |
| Redevelopment agency property tax increment | 3,607,131 | - | 3,607,131 |
| Charges for services – special benefit assessment | 946,473 | - | 946,473 |
| Interest earnings | 46,493 | - | 46,493 |
| Rental revenue | 15,853 | - | 15,853 |
| Other revenue | 45,050 | - | 45,050 |
| | 8,051,924 | - | 8,051,924 |
| EXPENDITURES/EXPENSES | | | |
| Mosquito and vector control operations: | | | |
| Salaries and wages | 4,049,899 | 41,196 | 4,091,095 |
| Employee benefits | 1,964,764 | 67,904 | 2,032,668 |
| Field operations | 903,066 | - | 903,066 |
| Materials, services and supplies | 681,380 | - | 681,380 |
| Insurance | 300,358 | - | 300,358 |
| Contract agreements | 144,326 | - | 144,326 |
| Capital outlay | 197,444 | (197,444) | - |
| Depreciation | - | 653,747 | 653,747 |
| | 8,241,237 | 565,403 | 8,806,640 |
| Change in net position | (189,313) | (565,403) | (754,716) |
| Fund balance/Net position – beginning | 14,802,139 | - | 21,777,591 |
| Fund balance/Net position – end | \$ 14,612,826 | - | 21,022,875 |

Reconciliation:

Net changes in fund balance of governmental fund \$ (189,313)

Amounts reported for governmental activities in the statement of activities is different because:

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenses in governmental funds as follows:

| | |
|--|----------|
| Net change in compensated absences | (41,196) |
| Net change in other post-employment benefits payable | (67,904) |

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

(456,303)

Change in net position of governmental activities \$ (754,716)

See accompanying notes to the basic financial statements

Coachella Valley Mosquito Vector Control District
Notes to the Basic Financial Statements
June 30, 2016 and 2015

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Coachella Valley Mosquito and Vector Control District is located in Indio, California. The District was formed pursuant to Section 2200 et. Seq., of the California Health and Safety Code and formed in the State of California on March 12, 1928. The District covers a wide area of Eastern Riverside County in the Coachella Valley and includes the cities of Indian Wells, La Quinta, Palm Springs, Cathedral City, Coachella, Desert Hot Springs, Indio, Palm Desert, Rancho Mirage and portions of the areas of unincorporated territory in Riverside County. The purpose of the District is to provide operational mosquito and other vector control to protect the residents within the District's service area from mosquito-borne disease and from other disease carriers and vectors. The District is governed by a Board of Trustees, which consists of 11 members, one member from each city and two from the county-at-large.

B. Basis of Accounting and Measurement Focus

The *basic financial statements* of the District are comprised of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Government-wide Financial Statements

These statements are presented on an *economic resources* measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the District are to be reported in three categories, if applicable: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grant and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Governmental Fund Financial Statements

These statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. Incorporated into these statements is a schedule to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-wide Financial Statements. The District has presented its General Fund, as its major fund, in this statement to meet the qualifications of GASB Statement No. 34.

Governmental funds are accounted for on a spending or *current financial resources* measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60-days after year-end) are recognized when due. The primary sources susceptible to accrual for the District are property tax, interest earnings, rental revenue and operating and capital grant revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Coachella Valley Mosquito Vector Control District
Notes to the Basic Financial Statements, *continued*
June 30, 2016 and 2015

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

B. Basis of Accounting and Measurement Focus, continued

However, exceptions to this rule include principal and interest on debt, which are recognized when due. The District reports the following major governmental fund:

General Fund – is a government’s primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund when necessary.

C. Financial Reporting

The District’s basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District has adopted the following GASB pronouncements in the current year:

Government Accounting Standards Board Statement No. 72

In February 2015, the GASB issued Statement No. 72 – *Fair Value Measurement and Application*, effective for financial statements for periods beginning after June 15, 2015.

The objective of this Statement is to enhance comparability of financial statements among governments by measurement of certain assets and liabilities at their fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. The definition of *fair value* is 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. This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value.

Government Accounting Standards Board Statement No. 73

In June 2015, the GASB issued Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*, effective for fiscal years beginning after June 15, 2015.

The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement establishes requirements for defined benefit pensions that are not within the Scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions.

Government Accounting Standards Board Statement No. 76

In June 2015, the GASB issued Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for financial statements for periods beginning after June 15, 2015.

This Statement replaces the requirements of Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify – in the context of the current governmental financial reporting environment – the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of local governmental entities in conformity with GAAP and the framework for selecting those principles. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment is not specified within the source of authoritative GAAP.

Coachella Valley Mosquito Vector Control District
Notes to the Basic Financial Statements, *continued*
June 30, 2016 and 2015

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

C. Financial Reporting, continued

Government Accounting Standards Board Statement No. 79

In December 2015, the GASB issued Statement No. 79 – *Certain External Investment Pools and Pool Participants*, effective for financial statements for periods beginning after June 15, 2015.

This Statement enhances comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

1. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in District net position during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

The District has adopted an investment policy directing the Administrative Finance Manager, subject to review and approval by the Finance Committee and the Board to deposit and invest funds in financial institutions in accordance with the California Government Code section 53600 and 53601.

Substantially all of the District's cash is invested in interest bearing cash accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

3. Investments and Investment Policy

Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

4. Fair value measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset, as follows:

- **Level 1** – Valuation is based on quoted prices in active markets for identical assets.
- **Level 2** – Valuation is based on directly observable and indirectly observable inputs. These inputs are derived principally from or corroborated by observable market data through correlation or market-corroborated inputs. The concept of market-corroborated inputs incorporates observable market data such as interest rates and yield curves that are observable at commonly quoted intervals.
- **Level 3** – Valuation is based on unobservable inputs where assumptions are made based on factors such as prepayment rates, probability of defaults, loss severity and other assumptions that are internally generated and cannot be observed in the market.

Coachella Valley Mosquito Vector Control District
Notes to the Basic Financial Statements, *continued*
June 30, 2016 and 2015

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

5. Property Taxes and Special Assessments

The County of Riverside Assessor's Office assesses all real and personal property within the County each year. The County of Riverside Tax Collector's Office bills and collects the District's share of property taxes and assessments. The County of Riverside Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes and special assessments receivable at year-end are related to property taxes collected by the County of Riverside which have not been credited to the District's cash balance as of June 30th. The property tax calendar is as follows:

| | |
|------------------|--------------------------|
| Lien date | March 1 |
| Levy date | July 1 |
| Due dates | November 1 and March 1 |
| Collection dates | December 10 and April 10 |

6. Materials and Supplies Inventory

Materials and supplies inventory consists primarily of pesticides and chemicals used to eradicate certain vectors. Inventory is valued at cost using a weighted average cost method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

7. Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

8. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of resources that is applicable to future periods.

9. Capital Assets

Capital assets are recorded in the government-wide financial statements. Included in capital assets are land, structures and improvements, office equipment, and other operational equipment. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent the District's capitalization threshold is met. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Structures and improvements – 10 to 40 years
- Office equipment – 3 to 10 years
- Equipment – 3 to 20 years

10. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of resources that is applicable to future periods.

11. Compensated Absences

Accrued Vacation – It is the District's policy to allow vacation leave to accrue based on employment class, union representation and years of service. Vacation time may accumulate from year to year to a maximum of 50 days (400 hours) for supervisors and 40 days (320 hours) for all other employees. A non-current amount of vacation liability will be recorded as fund expenditures in the year in which they are paid or become due on demand to separated employees.

Coachella Valley Mosquito Vector Control District
Notes to the Basic Financial Statements, *continued*
June 30, 2016 and 2015

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

11. Compensated Absences, continued

Accrued Sick Leave – It is the District's policy to allow sick leave to accrue based on employment class and union representation. Employees may accumulate up to 60 days (480 hours) of sick leave, unless otherwise specified in their union representation memorandums or individual employment contracts. Employees who are entitled to accumulate 60 days (480 hours) and accrue an excess of 50 days (400 hours) during the year shall be compensated for each hour at fifty percent (50%) of the current pay rate during the eligible cash out periods of June and December. If the maximum is reached, an employee can no longer accrue any additional hours. The hours shall be removed from the books at the end of the pay period in which an excess was accrued or an employee has been compensated. Upon official retirement from District service the employee shall be compensated for accumulated sick leave hours at fifty percent (50%) of the employee's current rate of pay or be eligible to convert the accumulated sick leave hours into CalPERS service credits, if the employee has been employed for the total amount of years specified in their union representation memorandums or individual employment contracts.

12. Pensions

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

Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

- Valuation Date: June 30, 2014
- Measurement Date: June 30, 2015
- Measurement Period: July 1, 2014 to June 30, 2015

13. Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets.
- **Restricted for Debt Service** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This component of net position consists of the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the *net investment in capital assets* or *restricted component of net position*.

Coachella Valley Mosquito Vector Control District
Notes to the Basic Financial Statements, *continued*
June 30, 2016 and 2015

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

14. Fund Balance

The financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

- **Nonspendable fund balance** – amounts that cannot be spent because they are either (a) not spendable in form, or (b) legally or contractually required to be maintained intact.
- **Restricted fund balance** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.
- **Committed fund balance** – amounts that can only be used for specific purposes determined by formal action of the District’s highest level of decision-making authority (the Board of Trustees) and that remain binding unless removed in the same manner. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is through resolution.
- **Assigned fund balance** – amounts that are constrained by the District’s intent to be used for specific purposes. The Board of Trustees is authorized to assign amounts to a specific purpose, which was established by the governing body in [state policy, resolution, ordinance, etc.]
- **Unassigned fund balance** – the residual classification for the District’s general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Board of Trustees established, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, followed by the unrestricted, committed, assigned and unassigned resources as they are needed.

Fund Balance Policy

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned and unassigned fund balances are considered unrestricted.

The purpose of the District’s fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

15. Self-Insurance

The District is a member of the Vector Control Joint Powers Authority which was formed to provide member districts with general liability, auto liability, errors and omission, and employment risk management agency (ERMA), as well as, worker's compensation coverage.

Coachella Valley Mosquito Vector Control District
Notes to the Basic Financial Statements, *continued*
June 30, 2016 and 2015

(1) Reporting Entity and Summary of Significant Accounting Policies, continued

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position, continued

16. Claims Payable

The District's policy is to record a liability for litigation, judgments and claims when it is probable that an asset has been impaired, or a liability has been incurred prior to year end and the probable amount of loss (net of any insurance coverage) can be reasonably estimated. The policy is to increase the liability by the amount of claims for accidents incurred before June 30, 2015, but was not reported by that date.

17. Budget

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year, the District's General Manager and Administrative/Finance Manager prepare and submit an operating budget to the Board of Trustees for the General Fund no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Board of Trustees must approve all supplemental appropriations to the budget and transfers between major accounts. The District's annual budget is presented as a balances budget (inflows and reserves equal outflows and reserves) adopted for the General Fund at the detailed expenditure-type level.

The District presents a comparison of the annual budget to actual results for the General Fund at the functional expenditure-type major object level for financial reporting purposes. The budgeted expenditure amounts represent the adopted budget. No Board approved supplemental appropriations were made. The budgeted revenue amounts represent the adopted budget as originally approved.

(2) Cash and Cash Equivalents

Cash and cash equivalents as of June 30, consist of the following:

| | 2016 | 2015 |
|---|---------------|-------------|
| Petty cash | \$ 2,000 | 2,000 |
| Deposits held with financial institutions | 136,876 | 254,424 |
| Investments | 12,839,953 | 13,258,699 |
| Total | \$ 12,978,829 | 13,515,123 |

As of June 30, the District's authorized investments had the following maturities:

| | 2016 | 2015 |
|--|-------------|-------------|
| Deposit held with Local Agency Investment Fund (LAIF) | 167 days | 239 days |
| Deposits held with Riverside County Pooled Investment Fund (RCPIF) | 441 days | 401 days |

Coachella Valley Mosquito Vector Control District
Notes to the Basic Financial Statements, *continued*
June 30, 2016 and 2015

(2) Cash and Cash Equivalents, continued

Authorized Deposits and Investments

The table below identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk credit risk and concentration of credit risk.

| Authorized Investment Type | Maximum Maturity | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|--|-----------------------------|--|---|
| U.S. Treasury Obligations | 5 years | 50% | None |
| U.S. Agency Obligations | 5 years | 50% | None |
| State Obligations - CA and Others | 5 years | 30% | None |
| CA Local Agency Obligations | 5 years | 30% | None |
| Joint Powers Authority Pool | None | 30% | None |
| Negotiable Certificates of deposit | 5 years | 30% | None |
| CD Placement Service | 5 years | 30% | None |
| Money market/passbook savings/demand deposits | None | 20% | None |
| Medium Term Notes | 5 years | 30% | None |
| Mortgage Pass-Through Securities | 5 years | 20% | None |
| California Local Agency Investment Fund (LAIF) | N/A | 75% | None |
| Riverside County Pooled Investment Funds | None | 75% | None |

Investment in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

District's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transactions processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of \$5,000, in increments of \$1,000 dollars.
- Withdrawals of \$10,000,000 or more require 24 hours advance.
- Prior to funds transfer, an authorized person must call LAIF for verbal authorization.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits, or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the District's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. Of the bank balance, up to \$250,000 is federally insured and the remaining balance is collateralized, in accordance with the Code; however, the collateralized securities are not held in the District's name.

Coachella Valley Mosquito Vector Control District
Notes to the Basic Financial Statements, *continued*
June 30, 2016 and 2015

(2) Cash and Cash Equivalents, continued

Custodial Credit Risk, continued

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the District's investment policy contain legal and policy requirements that would limit the exposure to custodial credit risk for investments.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Investments at June 30, 2016 consisted of the following:

| <u>Investment Type</u> | <u>Total</u> | <u>Remaining Maturity 12 Months Or Less</u> | <u>13 to 24 Months</u> | <u>25-60 Months</u> |
|---|----------------------|---|----------------------------|-------------------------|
| Local Agency Investment Fund (LAIF) | \$ 6,131,767 | 6,131,767 | - | - |
| Certificates-of-deposit | 993,020 | 993,020 | - | - |
| Money market funds | 833,450 | 833,450 | - | - |
| Riverside County Pooled Investment Fund (RCPIF) | 4,881,716 | - | 4,881,716 | - |
| Total | \$ 12,839,953 | 7,958,237 | 4,881,716 | - |

Investments at June 30, 2015 consisted of the following:

| <u>Investment Type</u> | <u>Total</u> | <u>Remaining Maturity 12 Months Or Less</u> | <u>13 to 24 Months</u> | <u>25-60 Months</u> |
|---|----------------------|---|----------------------------|-------------------------|
| Local Agency Investment Fund (LAIF) | \$ 5,611,584 | 5,611,584 | - | - |
| Certificates-of-deposit | 1,489,578 | - | 1,489,578 | - |
| Money market funds | 688,191 | - | 688,191 | - |
| Riverside County Pooled Investment Fund (RCPIF) | 5,469,346 | - | 5,469,346 | - |
| Total | \$ 13,258,699 | 5,611,584 | 7,647,115 | - |

Riverside County Treasurer Fund

The Riverside County Pooled Investment Fund (RCPIF) is a pooled investment fund program governed by the County of Riverside Board of Supervisors, and administered by the County of Riverside Treasurer and Tax Collector. Investments in RCPIF are highly liquid as deposits and withdrawals can be made at anytime without penalty. RCPIF does not impose a maximum investment limit.

The County of Riverside's bank deposits are either Federally insured or collateralized in accordance with the California Government Code. Pool detail may be obtained from the County of Riverside Administrative Office – 4080 Lemon Street, 4th Floor – Capital Markets – Riverside, CA 92506, or the Treasurer and Tax Collector's office website at www.countytreasurer.org.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Coachella Valley Mosquito Vector Control District
Notes to the Basic Financial Statements, *continued*
June 30, 2016 and 2015

(2) Cash and Cash Equivalents, continued

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Credit ratings of investments as of June 30, 2016, were as follows:

| Investment Type | Total | Minimum legal rating | Exempt or Not Rated | Rating as of year-end AAA |
|---|----------------------|----------------------------|---------------------------|---------------------------------|
| Local Agency Investment Fund (LAIF) | \$ 6,131,767 | N/A | 6,131,767 | - |
| Certificates-of-deposit | 993,020 | N/A | 993,020 | - |
| Money market funds | 833,450 | N/A | 833,450 | - |
| Riverside County Pooled Investment Fund (RCPIF) | 4,881,716 | N/A | - | 4,881,716 |
| Total | \$ 12,839,953 | | 7,958,237 | 4,881,716 |

Credit ratings of investments as of June 30, 2015, were as follows:

| Investment Type | Total | Minimum legal rating | Exempt or Not Rated | Rating as of year-end AAA |
|---|----------------------|----------------------------|---------------------------|---------------------------------|
| Local Agency Investment Fund (LAIF) | \$ 5,611,584 | N/A | 5,611,584 | - |
| Certificates-of-deposit | 1,489,578 | N/A | 1,489,578 | - |
| Money market funds | 688,191 | N/A | 688,191 | - |
| Riverside County Pooled Investment Fund (RCPIF) | 5,469,346 | N/A | - | 5,469,346 |
| Total | \$ 13,258,699 | | 7,789,353 | 5,469,346 |

Concentration of Credit Risk

The District's investment policy contains no limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represented 5% or more of total District's investment at June 30, 2016 and 2015.

Fair Value Measurements

Investments measured at fair value on a recurring and non-recurring basis, are as follows:

Investments at June 30, 2016:

| Investment Type | Total | Fair Value Measurements Using | | |
|---|---------------|--|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Certificates of deposit | \$ 993,020 | 993,020 | | |
| Total investments measured at fair value | 993,020 | 993,020 | - | - |
| Investments measured at amortized cost: | | | | |
| Local Agency Investment Fund (LAIF) | 6,131,767 | | | |
| Riverside County Pooled Investment Fund (RCPIF) | 4,881,716 | | | |
| Money market funds | 833,450 | | | |
| Total | \$ 12,839,953 | | | |

Coachella Valley Mosquito Vector Control District
Notes to the Basic Financial Statements, *continued*
June 30, 2016 and 2015

(2) Cash and Cash Equivalents, continued

Fair Value Measurements, continued

Investments at June 30, 2015:

| <u>Investment Type</u> | <u>Total</u> | <u>Fair Value Measurements Using</u> | | |
|---|---------------|---|--|--|
| | | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
| Certificates of deposit | \$ 1,489,578 | 1,489,578 | | |
| Total investments measured at fair value | 1,489,578 | 1,489,578 | - | - |
| Investments measured at amortized cost: | | | | |
| Local Agency Investment Fund (LAIF) | 5,611,584 | | | |
| Riverside County Pooled Investment Fund (RCPIF) | 5,469,346 | | | |
| Money market funds | 688,191 | | | |
| Total | \$ 13,258,699 | | | |

(3) Deferred Outflows of Resources

Changes in deferred outflows of resources for 2016, were as follows:

| | <u>Balance 2015</u> | <u>Additions</u> | <u>Amortization</u> | <u>Balance 2016</u> |
|--------------------------------------|-------------------------|------------------|---------------------|-------------------------|
| Deferred outflows of resources: | | | | |
| Deferred pension outflows | \$ 258,524 | 358,331 | (277,929) | 338,926 |
| Total deferred outflows of resources | \$ 258,524 | 358,331 | (277,929) | 338,926 |

Changes in deferred outflows of resources for 2015, were as follows:

| | <u>Balance 2014</u> | <u>Additions</u> | <u>Amortization</u> | <u>Balance 2015</u> |
|--------------------------------------|-------------------------|------------------|---------------------|-------------------------|
| Deferred outflows of resources: | | | | |
| Deferred pension outflows | \$ 241,489 | 258,524 | (241,489) | 258,524 |
| Total deferred outflows of resources | \$ 241,489 | 258,524 | (241,489) | 258,524 |

(4) Prior Year Restatement of Net Position

In fiscal year 2015, the District implemented GASB pronouncements 68 and 71 to recognize its proportionate share of the net pension liability.

As a result of the implementation, the District recognized the pension liability and recorded a net prior period adjustment of \$1,405,234 to decrease the governmental activities' beginning net position. The adjustment was made to reflect the prior period costs related to the implementation of GASB 68 and 71.

Coachella Valley Mosquito Vector Control District
Notes to the Basic Financial Statements, *continued*
June 30, 2016 and 2015

(4) Prior Year Restatement of Net Position, continued

The restatement of beginning net position is summarized as follows:

The adjustment to net position is as follows:

| | |
|--|-----------------------------|
| Net position at July 1, 2014, as previously stated | \$ 23,182,825 |
| Effect of adjustment to record net pension liability | (1,646,723) |
| Effect of adjustment to record deferred pension outflows | <u>241,489</u> |
| Total adjustment | <u>(1,405,234)</u> |
| Net position at July 1, 2014, as restated | <u><u>\$ 21,777,591</u></u> |

(5) Capital Assets

Changes in capital assets for the 2016 fiscal year were as follows:

| | Balance 2015 | Additions | Deletions | Balance 2016 |
|--------------------------------|-------------------------|------------------|------------------|-------------------------|
| Non-depreciable assets: | | | | |
| Land | \$ 417,873 | - | - | 417,873 |
| Construction-in-process | <u>1,600</u> | <u>-</u> | <u>-</u> | <u>1,600</u> |
| Total non-depreciable assets | <u>419,473</u> | <u>-</u> | <u>-</u> | <u>419,473</u> |
| Depreciable assets: | | | | |
| Structures and improvements | 15,552,351 | 77,226 | - | 15,629,577 |
| Office equipment | 1,588,699 | - | - | 1,588,699 |
| Equipment | <u>1,617,175</u> | <u>174,975</u> | <u>-</u> | <u>1,792,150</u> |
| Total depreciable assets | <u>18,758,225</u> | <u>252,201</u> | <u>-</u> | <u>19,010,426</u> |
| Accumulated depreciation: | | | | |
| Structures and improvements | (4,687,028) | (540,342) | - | (5,227,370) |
| Office equipment | (1,582,464) | (6,235) | - | (1,588,699) |
| Equipment | <u>(1,342,319)</u> | <u>(83,050)</u> | <u>-</u> | <u>(1,425,369)</u> |
| Total accumulated depreciation | <u>(7,611,811)</u> | <u>(629,627)</u> | <u>-</u> | <u>(8,241,438)</u> |
| Total depreciable assets, net | <u>11,146,414</u> | <u>(377,426)</u> | <u>-</u> | <u>10,768,988</u> |
| Total capital assets, net | <u>\$ 11,565,887</u> | | | <u>11,188,461</u> |

Coachella Valley Mosquito Vector Control District
Notes to the Basic Financial Statements, *continued*
June 30, 2016 and 2015

(5) Capital Assets, continued

Changes in capital assets for the 2015 fiscal year were as follows:

| | <u>Balance 2014</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 2015</u> |
|--------------------------------|-------------------------|------------------|--------------------|-------------------------|
| Non-depreciable assets: | | | | |
| Land | \$ 417,873 | - | - | 417,873 |
| Construction-in-process | 3,103,875 | - | (3,102,275) | 1,600 |
| Total non-depreciable assets | <u>3,521,748</u> | <u>-</u> | <u>(3,102,275)</u> | <u>419,473</u> |
| Depreciable assets: | | | | |
| Structures and improvements | 12,320,222 | 3,232,129 | - | 15,552,351 |
| Office equipment | 1,552,759 | 35,940 | - | 1,588,699 |
| Equipment | 1,591,573 | 31,650 | (6,048) | 1,617,175 |
| Total depreciable assets | <u>15,464,554</u> | <u>3,299,719</u> | <u>(6,048)</u> | <u>18,758,225</u> |
| Accumulated depreciation: | | | | |
| Structures and improvements | (4,133,276) | (553,752) | - | (4,687,028) |
| Office equipment | (1,539,230) | (43,234) | - | (1,582,464) |
| Equipment | (1,291,607) | (56,760) | 6,048 | (1,342,319) |
| Total accumulated depreciation | <u>(6,964,113)</u> | <u>(653,746)</u> | <u>6,048</u> | <u>(7,611,811)</u> |
| Total depreciable assets, net | <u>8,500,441</u> | <u>2,645,973</u> | <u>-</u> | <u>11,146,414</u> |
| Total capital assets, net | <u>\$ 12,022,189</u> | | | <u>11,565,887</u> |

(6) Compensated Absences

Compensated absences comprise of unpaid vacation, and sick leave which is accrued as earned. The District's liability for compensated absences is determined annually.

The changes to compensated absences balances for 2016 were as follows:

| | <u>Balance 2015</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 2016</u> | <u>Due Within One Year</u> | <u>Due in more than one year</u> |
|----|-------------------------|------------------|------------------|-------------------------|--------------------------------|--------------------------------------|
| \$ | 519,636 | 185,413 | (158,361) | 546,688 | 218,675 | 328,013 |

The changes to compensated absences balances for 2015 were as follows:

| | <u>Balance 2014</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 2015</u> | <u>Due Within One Year</u> | <u>Due in more than one year</u> |
|----|-------------------------|------------------|------------------|-------------------------|--------------------------------|--------------------------------------|
| \$ | 416,645 | 183,920 | (80,929) | 519,636 | 207,854 | 311,782 |

(7) Other Post-Employment Benefits Payable

During the fiscal year ended June 30, 2009, the District implemented GASB Statement No. 45, which changed the accounting and financial reporting used by local government employers for post-employment benefits. Previously, the costs of such benefits were generally recognized as expenses of local government employers on a pay-as-you-go basis. The reporting requirements for these benefit programs, as they pertain to the District, are set forth below.

Coachella Valley Mosquito Vector Control District
Notes to the Basic Financial Statements, continued
June 30, 2016 and 2015

(7) Other Post-Employment Benefits Payable, continued

Other Post-Employment Benefits – Eligibility

The District pays a portion of the cost of health insurance for retirees under any group plan offered by CalPERS, subject to certain restrictions as determined by the District.

Membership in the OPEB plan consisted of the following members as of June 30:

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|-------------|
| Active plan members | 55 | 54 | 54 |
| Retirees and beneficiaries receiving benefits | 3 | 2 | 2 |
| Separated plan members entitled to but not yet receiving benefits | - | - | - |
| Total plan membership | <u>58</u> | <u>56</u> | <u>56</u> |

Other Post-Employment Benefits – Benefits Offered

The District offers post-employment medical benefits to retired employees who satisfy the eligibility rules (50-years old, 5-years of service to the District and 10-years of CalPERS eligible service). Dependents are also eligible to receive benefits. Retirees may enroll in any plan available through the District's CalPERS medical program. The contribution requirements of Plan members and the District are established and may be amended by the Board of Directors. The District is required to identify the *Annual Required Contribution (ARC) of the Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 7% of the annual covered payroll. The District will pay 100% of the cost of the post-employment benefit plan. The District funds the plan on a pay-as-you-go basis and maintains reserves (by recording a liability) for the difference between the annual pay-as-you-go amount and the actuarially determined ARC cost.

Annual Cost

For the year ended June 30, 2016, the District's ARC cost after adjustments is \$323,220. The District's net other post-employment benefits payable obligation amounted to \$1,172,619 for the year ended June 30, 2016. The District contributed \$21,897 in contributions for current retiree other post-employment benefits payable obligation premiums and contributed \$296,458 to the California Employees Retirement Benefit Trust (CERBT) irrevocable trust fund with CalPERS for the year ended June 30, 2016.

The balance at June 30, consists of the following:

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|---------------------|------------------|------------------|
| Annual OPEB expense: | | | |
| Annual required contribution (ARC) | \$ 296,458 | 262,905 | 249,207 |
| Interest on net OPEB obligation | 85,012 | 83,699 | 82,196 |
| Interest earnings on irrevocable trust balance | (23,590) | 648 | (138,288) |
| Adjustment to annual required contribution | <u>(34,660)</u> | <u>1,140</u> | <u>93,256</u> |
| Total annual OPEB expense | <u>323,220</u> | <u>348,392</u> | <u>286,371</u> |
| Contributions (to)from trust: | | | |
| Contributions made to irrevocable trust | (296,458) | (262,905) | (249,207) |
| Retiree benefit payments paid outside of trust | <u>(21,897)</u> | <u>(17,583)</u> | <u>(17,414)</u> |
| Total contributions made | <u>(318,355)</u> | <u>(280,488)</u> | <u>(266,621)</u> |
| Total change in net OPEB payable obligation | 4,865 | 67,904 | 19,750 |
| OPEB payable – beginning of year | <u>1,167,754</u> | <u>1,099,850</u> | <u>1,080,100</u> |
| OPEB payable – end of year | <u>\$ 1,172,619</u> | <u>1,167,754</u> | <u>1,099,850</u> |

Coachella Valley Mosquito Vector Control District
Notes to the Basic Financial Statements, continued
June 30, 2016 and 2015

(7) Other Post-Employment Benefits Payable, continued

Annual Cost, continued

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2016 and the two preceding years were as follows:

| <i>Three-Year History of Net OPEB Obligation</i> | | | | |
|--|---------------------------------|----------------------|---|--|
| Fiscal Year Ended | Annual OPEB Cost | Contributions | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation Payable |
| 2016 | \$ 348,392 | 280,488 | 80.51% | \$ 1,167,754 |
| 2015 | 286,371 | 266,621 | 93.10% | 1,099,850 |
| 2014 | 315,431 | 315,904 | 100.15% | 1,080,100 |

Funded Status and Funding Progress of the Plan

The most recent valuation (dated June 30, 2015) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$3,179,298. The District's Plan Assets were \$1,266,435. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2015, was \$4,209,302. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 45.44%.

See Page 52 for the Schedule of Funding Status.

(8) Pollution Remediation Obligation

In January 2007, the District hired EAR Engineering, Construction & Support Services (EAR) to test the soil at the District's Thermal property. It was determined that due to early District control practices an environmental contamination of the soil in the parking lot area of the facility. The pollution found was DDT (Dichlorodiphenyltrichloroethane) which is an insecticide that is found in a broad range of agricultural and nonagricultural applications. The chemical was banned in the United States and also in many parts of the world in 1972. The District was ordered to remediate the DDT found in the soil at the Thermal property. EAR recommended that the District perform soil capping since the DDT has very low degradation capacity, and low solubility, thus it is more likely that the DDT will remain in the soils under natural conditions. In August 2008, the District hired D&L Wheeler Enterprise to perform the soil capping of the Thermal property. The cost of the soil capping was \$457,749 in fiscal year 2009. The District is required to add a one-inch layer of asphalt to the capping every 10 years until the DDT pollution is minimized. The cost of the recapping is an estimated at \$150,000 for every 10 years for an estimated 143 years. The estimated pollution remediation liability is \$2,100,000 as of June 30, 2016.

(9) Deferred Compensation Savings Plan

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors. Market value of all plan assets held in trust at June 30, 2016 and 2015, were \$2,144,440 and \$1,995,115, respectively.

Coachella Valley Mosquito Vector Control District
Notes to the Basic Financial Statements, *continued*
June 30, 2016 and 2015

(9) Deferred Compensation Savings Plan, continued

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net position.

(10) Deferred Inflows of Resources

Changes in deferred inflows of resources for 2016, were as follows:

| | <u>Balance 2015</u> | <u>Additions</u> | <u>Amortization</u> | <u>Balance 2016</u> |
|-------------------------------------|-------------------------|------------------|---------------------|-------------------------|
| Deferred inflows of resources: | | | | |
| Deferred pension inflows | \$ 699,417 | 173,732 | (259,684) | 613,465 |
| Total deferred inflows of resources | <u>\$ 699,417</u> | <u>173,732</u> | <u>(259,684)</u> | <u>613,465</u> |

Changes in deferred inflows of resources for 2015, were as follows:

| | <u>Balance 2014</u> | <u>Additions</u> | <u>Amortization</u> | <u>Balance 2015</u> |
|-------------------------------------|-------------------------|------------------|---------------------|-------------------------|
| Deferred inflows of resources: | | | | |
| Deferred pension inflows | \$ 883,487 | - | (184,070) | 699,417 |
| Total deferred inflows of resources | <u>\$ 883,487</u> | <u>-</u> | <u>(184,070)</u> | <u>699,417</u> |

(11) Defined Benefit Pension Plan

Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's Miscellaneous Employee Pension Plan, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plan are established by State statute and District's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits provided

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

On September 12, 2012, the California Governor signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA took effect January 1, 2013. The new legislation closed the District's CalPERS 2.0% at 60 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. All employees hired after January 1, 2013 are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

Coachella Valley Mosquito Vector Control District
Notes to the Basic Financial Statements, *continued*
June 30, 2016 and 2015

(11) Defined Benefit Pension Plan

Benefits provided, continued

The Plans' provision and benefits in effect at June 30, 2016 are summarized as follows:

| | Miscellaneous Plan | |
|---|-----------------------------|--------------------------------|
| | Classic | PEPRA |
| Hire date | Prior to January 1, 2013 | On or after January 1, 2013 |
| Benefit formula | 2.0% @ 60 | 2.0% @ 62 |
| Benefit vesting schedule | 5 years of service | 5 years of service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50 - 63 | 52 - 67 |
| Monthly benefits, as a % of eligible compensation | 2.0% to 2.5% | 1.0% to 2.5% |
| Required employee contribution rates | 7.00% | 6.25% |
| Required employer contribution rates | 7.163% | 6.25% |

Contributions

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

For the fiscal years ended June 30, 2016 and 2015, the contributions recognized as part of pension expense for the Plan was as follows:

| | Miscellaneous Plan | |
|--------------------------|---------------------------|-------------|
| | 2016 | 2015 |
| Contributions – employer | \$ 284,591 | 258,524 |

Net Pension Liability

As of the fiscal year ended June 30, 2016 and 2015, 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 | |
|--------------------|---|-------------|
| | 2016 | 2015 |
| Miscellaneous Plan | \$ 622,269 | 927,555 |

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2015 and 2014 (the measurement dates), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 and 2013 (the valuation dates), rolled forward to June 30, 2015 and 2014, 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 plan relative to the projected contributions of all participating employers, actuarially determined.

Coachella Valley Mosquito Vector Control District
Notes to the Basic Financial Statements, *continued*
June 30, 2016 and 2015

(11) Defined Benefit Pension Plan, continued

Net Pension Liability, continued

The District's proportionate share of the pension liability for the Plan as of the measurement date June 30, 2014 and 2015 was as follows:

| | Miscellaneous Plan |
|------------------------------|---------------------------|
| Proportion – June 30, 2014 | 0.014907% |
| Proportion – June 30, 2015 | 0.009066% |
| Change – Increase (Decrease) | -0.005841% |

The District's proportionate share of the pension liability for the Plan as of the measurement date June 30, 2013 and 2014 was as follows:

| | Miscellaneous Plan |
|------------------------------|---------------------------|
| Proportion – June 30, 2013 | 0.020428% |
| Proportion – June 30, 2014 | 0.014907% |
| Change – Increase (Decrease) | -0.005522% |

Deferred Pension Outflows (Inflows) of Resources

For the fiscal years ended June 30, 2016 and 2015, the District recognized pension expense (income) of \$(187,049) and \$221,738, respectively.

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Pension contributions subsequent to the measurement date | \$ 284,591 | - |
| Differences between actual and expected experience | 17,159 | - |
| Changes in assumptions | - | 162,340 |
| Net differences between projected and actual earnings on plan investments | - | 81,383 |
| Differences between actual contribution and proportionate share of contribution | 37,176 | - |
| Net adjustment due to differences in proportions of net pension liability | - | 369,742 |
| Total | \$ 338,926 | 613,465 |

Coachella Valley Mosquito Vector Control District
Notes to the Basic Financial Statements, continued
June 30, 2016 and 2015

(11) Defined Benefit Pension Plan, continued

Deferred Pension Outflows (Inflows) of Resources, continued

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <u>Description</u> | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Pension contributions subsequent to the measurement date | \$ 258,524 | - |
| Net differences between projected and actual earnings on plan investments | - | (613,406) |
| Net adjustment due to differences in proportions of net pension liability | - | (86,011) |
| Total | <u>\$ 258,524</u> | <u>(699,417)</u> |

As of June 30, 2016 and 2015, employer pension contributions reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$284,591 and \$258,524, respectively and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017 and 2016.

At June 30, 2016, District recognized other amounts reported as deferred outflows and inflows of resources related to the pension liability, which will be recognized as pension expense as follows:

| <u>Fiscal Year Ending June 30,</u> | <u>Deferred Net Outflows/(Inflows) of Resources</u> |
|--|---|
| 2017 | \$ (240,279) |
| 2018 | (234,136) |
| 2019 | (179,382) |
| 2020 | 94,667 |
| 2021 | - |
| Remaining | - |

At June 30, 2015, District recognized other amounts reported as deferred outflows and inflows of resources related to the pension liability, which will be recognized as pension expense as follows:

| <u>Fiscal Year Ending June 30,</u> | <u>Deferred Net Outflows/(Inflows) of Resources</u> |
|--|---|
| 2016 | \$ (184,070) |
| 2017 | (184,070) |
| 2018 | (177,927) |
| 2019 | (153,350) |

Coachella Valley Mosquito Vector Control District
Notes to the Basic Financial Statements, *continued*
June 30, 2016 and 2015

(11) Defined Benefit Pension Plan, continued

Actuarial assumptions

The total pension liabilities in the June 30, 2015 and 2014 actuarial valuation report were determined using the following actuarial assumptions:

The following is a summary of the actuarial assumptions and methods:

| | |
|---------------------------|---|
| Valuation Date | June 30, 2014 and 2013 |
| Measurement Date | June 30, 2015 and 2014 |
| Actuarial cost method | Entry Age Normal in accordance with the requirements of GASB Statement No. 68 |
| Actuarial assumptions: | |
| Discount rate | 7.50% for 2014 and 7.65% for 2015 |
| Inflation | 2.75% |
| Salary increases | Varies by Entry Age and Service |
| Investment Rate of Return | 7.50 % Net of Pension Plan Investment and Administrative Expenses; includes inflation |
| Mortality Rate Table* | Derived using CalPERS' Membership Data for all Funds |
| Post Retirement Benefit | Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter |

* The mortality table used on the previous page was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 Experience Study report. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate

For the June 30, 2015 and 2014 valuation reports, the discount rate used to measure the total pension liability was 7.65% and 7.50%, respectively, for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% and 7.50% discount rates used are adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% and 7.50% will be applied to all plans in the Public Employees' Retirement Fund (PERF). The stress test results are presented in a detailed report which can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. For the June 30, 2015 and 2014 valuation reports, the 7.65% and 7.50% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.80% and 7.65%, respectively. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS confirmed the materiality threshold for the difference in the calculation and did not find it to be a material difference.

Coachella Valley Mosquito Vector Control District
Notes to the Basic Financial Statements, *continued*
June 30, 2016 and 2015

(11) Defined Benefit Pension Plan, continued

Discount Rate, continued

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the Discount rate will require CalPERS Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the fiscal year ended 2017-2018. CalPERS will continue to check the materiality of the difference in the calculation until such time as it has changed its methodology.

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

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

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

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

| <u>Asset Class</u> | <u>New Strategic Allocation</u> | <u>Real Return Years 1-10*</u> | <u>Real Return Year 11+**</u> |
|-------------------------------|---------------------------------|--------------------------------|-------------------------------|
| Global Equity | 47.0% | 5.25% | 5.71% |
| Global Fixed Income | 19.0 | 0.99 | 2.43 |
| Inflation Sensitive | 6.0 | 0.45 | 3.36 |
| Private Equity | 12.0 | 6.83 | 6.95 |
| Real Estate | 11.0 | 4.50 | 5.13 |
| Infrastructure and Forestland | 3.0 | 4.50 | 5.09 |
| Liquidity | 2.0 | (0.55) | (1.05) |
| Total | <u>100.0%</u> | | |

* An expected inflation of 2.5% used for this period

** An expected inflation of 3.0% used for this period

Coachella Valley Mosquito Vector Control District
Notes to the Basic Financial Statements, *continued*
June 30, 2016 and 2015

(11) Defined Benefit Pension Plan, continued

Sensitivity of the Proportionate Share of Net Pension Liability to Changes in the Discount Rate

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

At June 30, 2016, the discount rate comparison was the following:

| | Discount Rate - 1% 6.65% | Current Discount Rate 7.65% | Discount Rate + 1% 8.65% |
|----------------------------------|---|--|---|
| District's Net Pension Liability | \$ 690,148 | 622,269 | 181,480 |

At June 30, 2015, the discount rate comparison was the following:

| | Discount Rate - 1% 6.50% | Current Discount Rate 7.50% | Discount Rate + 1% 8.50% |
|----------------------------------|---|--|---|
| District's Net Pension Liability | \$ 2,235,320 | 927,555 | 157,765 |

Payable to the Pension Plan

At June 30, 2016 and 2015, the District reported no payables for the outstanding amount of contribution to the pension plan.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in separately issued CalPERS financial reports. See pages 50 through 51 for the Required Supplementary Schedules.

(12) Net Position

Unrestricted net position is categorized as follows:

| | 2016 | 2015 |
|---|--------------|--------------|
| Nonspendable net assets: | | |
| Materials and supplies inventory | \$ 455,400 | \$ 467,719 |
| Prepaid expenses and deposits | 1,052,482 | 880,131 |
| Total nonspendable net position | 1,507,882 | 1,347,850 |
| Spendable net position is designated as follows: | | |
| Six-month operating reserve | 4,573,939 | 4,007,942 |
| Emergency services | 2,350,494 | 2,933,442 |
| Other post-employment benefits payable | 1,172,619 | 1,167,754 |
| Total spendable net position | 8,097,052 | 8,109,138 |
| Total unrestricted net position | \$ 9,604,934 | \$ 9,456,988 |

Coachella Valley Mosquito Vector Control District
Notes to the Basic Financial Statements, *continued*
June 30, 2016 and 2015

(12) Net Position, continued

Reserves

Six-month operating reserve – comprised of reserve funds to fund operations of the District for the period from July 1 to December 31 each year as the first scheduled property tax payment is due on December 10th of each year. The County of Riverside Treasurer-Tax Collector disburses the majority of the December 10th collection to the District at the end of December each year.

Emergency reserve – comprised of reserve funds in the case the District is faced with an immediate need to combat the spread of an aerial or vector caused disease.

Other post-employment benefits payable reserve – comprised of funds that are reserved for the ending balance of other post-employment benefits.

Capital assets construction and replacements reserve – comprised of funds that are reserved for the replacement of District capital assets and/or the construction of future District capital assets as needed on a pay-go basis.

(13) Fund Balance

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned (See Note 1.D.14 for a description of these categories). A detailed schedule of fund balances and their funding composition at June 30, 2016 and 2015, is as follows:

| <u>Description</u> | <u>2016</u> | <u>2015</u> |
|--|----------------------|-------------------|
| Nonspendable: | | |
| Materials and supplies inventory | \$ 455,400 | 467,719 |
| Prepaid expenses and deposits | <u>1,052,482</u> | <u>880,131</u> |
| Subtotal nonspendable | <u>1,507,882</u> | <u>1,347,850</u> |
| Committed: | | |
| Compensated absences | 546,688 | 519,636 |
| Reserve for Public Health Emergency | <u>2,811,945</u> | <u>2,622,947</u> |
| Sub-total committed | <u>3,358,633</u> | <u>3,142,583</u> |
| Assigned: | | |
| Reserve for Operations | 5,034,613 | 4,652,749 |
| Reserve for Replacements | 2,350,494 | 2,933,442 |
| Other post-employment benefits payable | 1,172,619 | 1,167,754 |
| Net pension liability | 622,269 | 927,555 |
| Deferred inflows of resources, net | <u>274,539</u> | <u>440,893</u> |
| Sub-total assigned | <u>9,454,534</u> | <u>10,122,393</u> |
| Total fund balance | <u>\$ 14,321,049</u> | <u>14,612,826</u> |

(14) Risk Management

The District is exposed various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District, as a member of the Vector Control Joint Powers Authority (VCJPA) has purchased various insurance policies to manage the potential liabilities that may occur from the previously named sources. The VCJPA is a consortium of 33 mosquito abatement and/or vector control districts in the State of California. VCJPA's purpose is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage.

Coachella Valley Mosquito Vector Control District
Notes to the Basic Financial Statements, *continued*
June 30, 2016 and 2015

(14) Risk Management, continued

The day-to-day business is handled by a risk management group employed by the VCJPA. At June 30, 2016 and 2015, the District participated in the liability and property programs of the VCJPA as follows:

- General and auto liability, public officials and employees' errors and omissions.
- Workers' compensation
- Property damage
- Auto physical damage
- Business travel
- Group fidelity
- Underground storage tank

The District is covered for the first \$1,000,000 of each general liability claim and \$500,000 of each workers' compensation claim through the VCJPA. The District may receive dividends and has the obligation to pay assessments, if declared by the Board, based on a formula which, among other expenses, charges the District's account for liability losses and workers' compensation losses which fall within the District's self-insured retentions (SIR) for each of the program years the District has participated as a member, when those program years are adjusted. The liability SIR for the 2015 program year is \$10,000, and the workers' compensation SIR for the 2015 program year is \$25,000.

The VCJPA participates in an excess pool which provides general liability coverage from \$1,000,001 to \$14,000,000 and in an excess pool which provides employers liability and workers' compensation coverage from \$500,001 to \$5,000,000 and also provides workers' compensation coverage above \$5,000,000 up to the statutory limit, through a combination of reinsurance and insurance. Financial statement information for the VCJPA can be obtained at 1750 Creekside Oaks Drive, Suite 200 Street, Sacramento, CA 95833 or (916) 244-1100.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the year ended June 30, 2016 and 2015. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payables as of June 30, 2016 and 2015.

(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to June 30, 2016, that have effective dates that may impact future financial presentations.

Governmental Accounting Standards Board Statement No. 74

In June 2015, the GASB issued Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness or information about postemployment benefits other than pensions (other postemployment benefits of OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No.50, *Pension Disclosures*.

The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Coachella Valley Mosquito Vector Control District
Notes to the Basic Financial Statements, *continued*
June 30, 2016 and 2015

(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 75

In June 2015, the 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). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2017. The impact of the implementation of this Statement to the District's financial statements has not been assessed at this time.

Governmental Accounting Standards Board Statement No. 77

In August 2015, the GASB issued Statement No. 77 – *Tax Abatement Disclosures*. The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Financial statement users need information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from governmental programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens. Tax abatements are widely used by state and local governments, particularly to encourage economic development. This Statement is effective for financial statements for periods beginning after December 15, 2015. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

Governmental Accounting Standards Board Statement No. 80

In January 2016, the GASB issued Statement No. 80 – *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14*. The objective of this Statement is to improve 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. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. This Statement is effective for financial statements for periods beginning after June 15, 2016. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

Governmental Accounting Standards Board Statement No. 81

In March 2016, the GASB issued Statement No. 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. 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.

Coachella Valley Mosquito Vector Control District
Notes to the Basic Financial Statements, *continued*
June 30, 2016 and 2015

(15) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued

Governmental Accounting Standards Board Statement No. 81, continued

This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This Statement is effective for financial statements for periods beginning after December 15, 2016. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

In March 2016, the GASB issued Statement No. 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. 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. This Statement is effective for financial statements for periods beginning after December 15, 2016. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

Governmental Accounting Standards Board Statement No. 82

In March 2016, the GASB issued Statement No. 82 – *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No.73*. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement is effective for financial statements for periods beginning after June 15, 2016. It is believed that the implementation of this Statement will not have a material effect to the District's financial statements.

(16) Commitments and Contingencies

Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

(17) Subsequent Events

Events occurring after June 30, 2016, have been evaluated for possible adjustment to the financial statements or disclosure as of November 8, 2016, which is the date the financial statements were available to be issued. The District is not aware of any further subsequent events that would require recognition or disclosure in the financial statements.

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Required Supplementary Information

Coachella Valley Mosquito and Vector Control District
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2016 and 2015

| | <u>Original Adopted Budget</u> | <u>Final Revised Budget</u> | <u>Actual Budgetary Basis</u> | <u>Variance Positive (Negative)</u> |
|---|--|-------------------------------------|---------------------------------------|---|
| EXPENDITURES/EXPENSES | | | | |
| Mosquito and vector control operations: | | | | |
| Salaries and wages | \$ 4,198,677 | 4,198,677 | 4,275,911 | (77,234) |
| Employee benefits | 2,138,984 | 2,138,984 | 1,717,802 | 421,182 |
| Field operations | 1,111,050 | 1,111,050 | 1,060,140 | 50,910 |
| Materials, services and supplies | 756,065 | 756,065 | 696,150 | 59,915 |
| Insurance | 348,236 | 348,236 | 186,663 | 161,573 |
| Contract agreements | 150,000 | 150,000 | 134,189 | 15,811 |
| Capital outlay | 190,000 | 190,000 | 252,201 | (62,201) |
| Total expenditures/expenses | <u>8,893,012</u> | <u>8,893,012</u> | <u>8,323,056</u> | <u>569,956</u> |
| PROGRAM REVENUES | | | | |
| Charges for services – special benefit assessment | 971,970 | 971,970 | 955,039 | (16,931) |
| Total program revenues | <u>971,970</u> | <u>971,970</u> | <u>955,039</u> | <u>(16,931)</u> |
| GENERAL REVENUES | | | | |
| Property taxes | 3,533,754 | 3,533,754 | 3,550,298 | 16,544 |
| Redevelopment agency property tax increment | 3,884,112 | 3,884,112 | 3,859,864 | (24,248) |
| Interest earnings | 40,000 | 40,000 | 77,230 | 37,230 |
| Rental revenue | - | - | 15,979 | 15,979 |
| Other revenue | 16,000 | 16,000 | 26,678 | 10,678 |
| Total general revenues | <u>7,473,866</u> | <u>7,473,866</u> | <u>7,530,049</u> | <u>56,183</u> |
| Total revenues | <u>8,445,836</u> | <u>8,445,836</u> | <u>8,485,088</u> | <u>39,252</u> |
| Change in fund balance | <u>(447,176)</u> | <u>(447,176)</u> | <u>162,032</u> | <u>609,208</u> |
| Fund balance – beginning of period | <u>14,159,017</u> | <u>14,159,017</u> | <u>14,159,017</u> | |
| Fund balance – end of period | <u>\$ 13,711,841</u> | <u>13,711,841</u> | <u>14,321,049</u> | |

Notes to Required Supplementary Information

(1) Budgets and Budgetary Data

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year the District’s General Manager and Administrative Finance Manager prepare and submit an operating budget to the Board of Trustees for the General Fund no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Board of Trustees must approve all supplemental appropriations to the budget and transfers between major accounts. The District’s annual budget is presented as a balanced budget (inflows and reserves equal outflows and reserves) adopted for the General Fund at the detailed expenditure-type level.

The District presents a comparison of the annual budget to actual results for the General Fund at the functional expenditure-type major object level for financial reporting purposes. The budgeted expenditure amounts represent the adopted budget plus supplemental budget adoptions due to the capital and operating grants that were awarded after the initial budget was adopted.

Coachella Valley Mosquito and Vector Control District
Schedule of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2016
Last Ten Years*

| | Measurement Date <u>6/30/2014</u> | Measurement Date <u>6/30/2015</u> |
|---|--|--|
| District's Proportion of the Net Pension Liability | <u>0.01491%</u> | <u>0.00907%</u> |
| District's Proportionate Share of the Net Pension Liability | \$ <u>927,555</u> | \$ <u>622,269</u> |
| District's Covered-Employee Payroll | \$ <u>3,477,312</u> | \$ <u>3,532,672</u> |
| District's proportionate share of the net pension liability as a as a Percentage of its Covered-Employee Payroll | <u>26.67%</u> | <u>17.61%</u> |
| Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability | <u>90.59%</u> | <u>93.96%</u> |
| Plan's Proportionate Share of Aggregate Employer Contributions | \$ <u>241,489</u> | \$ <u>335,044</u> |

Note:

* Fiscal Year 2015 was the first year of implementation, therefore only two years are shown.

Coachella Valley Mosquito and Vector Control District
Schedule of Pension Plan Contributions
As of June 30, 2016
Last Ten Years*

| <u>Schedule of Pension Plan Contributions (a):</u> | Measurement Date <u>2013-2014</u> | Measurement Date <u>2014-2015</u> |
|--|--|--|
| Actuarially Determined Contribution | \$ 241,315 | \$ 335,044 |
| Contributions in Relation to the Actuarially Determined Contribution | <u>(241,315)</u> | <u>(284,591)</u> |
| Contribution Deficiency (Excess) | \$ <u>-</u> | \$ <u>-</u> |
| Covered Payroll | \$ <u>3,477,312</u> | \$ <u>3,532,672</u> |
| Contribution's as a percentage of Covered-employee Payroll | <u>6.94%</u> | <u>8.06%</u> |

Note:

* Fiscal Year 2015 was the first year of implementation, therefore only two years are shown.

Coachella Valley Mosquito and Vector Control District
Schedule of Funding Status – Other Post-Employment Benefits Obligation
For the Fiscal Year Ended June 30, 2016

Funding Status and Funding Progress of the Plan

| Required Supplemental Information - Schedule of Funding Progress | | | | | | |
|--|---|--|---|------------------------------|---------------------------|---|
| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (b) | Unfunded Actuarial Accrued Liability (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
| 6/30/2011 | \$ - | 1,975,304 | 1,975,304 | 0.00% | \$ 3,381,990 | 58.41% |
| 6/30/2013 | 618,962 | 2,303,379 | 1,684,417 | 26.87% | \$ 3,537,828 | 47.61% |
| 6/30/2015 | 1,266,435 | 3,179,298 | 1,912,863 | 39.83% | \$ 4,209,302 | 45.44% |
| Calculation | | | Active Employees | Retired Employees | Total | |
| Actuarial Accrued Liability – 6/30/2015 | | | \$ 2,902,346 | 276,952 | 3,179,298 | |

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB Statement 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every two years, since the District is funding, or annually, if there are significant changes in the plan. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will be performed in fiscal year 2018, based on the year ending June 30, 2017.

Actuarial Methods and Assumptions

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 continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

The following is a summary of the actuarial assumptions and methods:

| | | |
|-------------------------------|--------------------------------------|------------|
| Valuation date | June 30, 2015 | |
| Fiscal Years Covered | Fiscal Year 2015/16 and 2016/17 | |
| Actuarial cost method | Entry age normal cost method, open | |
| Amortization method | Level-percentage of pay amortization | |
| Remaining amortization period | 24 Years as of the valuation date | |
| Actuarial Value of Assets | Valued on a market value basis | |
| Actuarial assumptions: | | |
| Discount rate | 7.28% | |
| Projected salary increase | 3.00% | |
| Inflation - discount rate | 2.80% | |
| Health care - trend rates | <u>PPO</u> | <u>HMO</u> |
| Calendar Year – 2017 | 7.00% | 6.50% |
| Calendar Year – 2018 | 6.50% | 6.00% |
| Calendar Year – 2019 | 6.00% | 5.50% |
| Calendar Year – 2020 | 5.50% | 5.00% |
| Calendar Year – 2021+ | 5.00% | 5.00% |

Statistical Section

**Coachella Valley Mosquito and Vector Control District
Statistical Section**

This part of the District’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District’s overall financial health.

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|--|------------------------|
| Financial Trends These schedules contain information to help the reader understand how the District’s financial performance and well-being have changed over time. | 54-59 |
| Revenue Capacity These schedules contain information to help the reader assess the District’s most significant local revenue source, property taxes. | 60-63 |
| Demographic Information This schedule offers demographic indicators to help the reader understand the environment within which the District’s financial activities take place. | 64-65 |
| Operating Information This schedule contains service and infrastructure data to help the reader understand how the information in the District’s financial report relates to the service the District provides and the activities it performs. | 66-68 |

Coachella Valley Mosquito and Vector Control District
Net Position by Component
Last Ten Fiscal Years

| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Governmental activities: | | | | | | | | | | |
| Net investment in capital assets | 10,434,280 | 11,135,829 | 10,884,594 | 10,448,996 | 10,098,779 | 9,541,160 | 9,951,730 | 12,022,189 | 11,565,887 | 11,188,461 |
| Unrestricted | <u>15,592,350</u> | <u>16,660,906</u> | <u>17,122,070</u> | <u>18,262,856</u> | <u>17,548,976</u> | <u>14,741,091</u> | <u>13,532,605</u> | <u>11,160,743</u> | <u>9,456,988</u> | <u>9,604,934</u> |
| Total governmental activities net position | <u>26,026,630</u> | <u>27,796,735</u> | <u>28,006,664</u> | <u>28,711,852</u> | <u>27,647,755</u> | <u>24,282,251</u> | <u>23,484,335</u> | <u>23,182,932</u> | <u>21,022,875</u> | <u>20,793,395</u> |
| Primary government: | | | | | | | | | | |
| Net investment in capital assets | 10,434,280 | 11,135,829 | 10,884,594 | 10,448,996 | 10,098,779 | 9,541,160 | 9,951,730 | 12,022,189 | 11,565,887 | 11,188,461 |
| Unrestricted | <u>15,592,350</u> | <u>16,660,906</u> | <u>17,122,070</u> | <u>18,262,856</u> | <u>17,548,976</u> | <u>14,741,091</u> | <u>13,532,605</u> | <u>11,160,743</u> | <u>9,456,988</u> | <u>9,604,934</u> |
| Total primary government net position | <u>26,026,630</u> | <u>27,796,735</u> | <u>28,006,664</u> | <u>28,711,852</u> | <u>27,647,755</u> | <u>24,282,251</u> | <u>23,484,335</u> | <u>23,182,932</u> | <u>21,022,875</u> | <u>20,793,395</u> |

Source: Financial Statements

Coachella Valley Mosquito and Vector Control District
Changes in Net Position
Last Ten Fiscal Years

| | Fiscal Year | | | | | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
| Expenses: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Mosquito and vector control operations | | | | | | 8,372,969 ⁽²⁾ | 8,333,981 ⁽²⁾ | 8,297,304 ⁽²⁾ | 8,806,640 ⁽²⁾ | 8,714,568 ⁽²⁾ |
| General government | (1) \$ 7,070,747 | \$ 9,087,795 | (1) \$ 4,285,992 | (1) 3,536,039 | 3,912,039 | - | - | - | - | - |
| Public health | | | \$ 4,480,267 | 4,805,041 | 4,520,860 | - | - | - | - | - |
| Total government activities expenses | <u>\$ 7,070,747</u> | <u>\$ 9,087,795</u> | <u>\$ 8,766,259</u> | <u>\$ 8,341,080</u> | <u>\$ 8,432,899</u> | <u>\$ 8,372,969</u> | <u>\$ 8,333,981</u> | <u>\$ 8,297,304</u> | <u>\$ 8,806,640</u> | <u>\$ 8,714,568</u> |
| Program revenues: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Special benefit assessment | | | | | | 503,409 | 481,579 | 938,320 | 946,473 | 955,039 |
| General government | 36,985 | 13,223 | 12,072 | - | 1,546 | - | - | - | - | - |
| Total primary government program revenues | <u>36,985</u> | <u>13,223</u> | <u>12,072</u> | <u>-</u> | <u>1,546</u> | <u>503,409</u> | <u>481,579</u> | <u>938,320</u> | <u>946,473</u> | <u>955,039</u> |
| Net revenues (expenses): | | | | | | | | | | |
| Governmental activities | <u>7,033,762</u> | <u>9,074,572</u> | <u>8,754,187</u> | <u>8,341,080</u> | <u>8,431,353</u> | <u>7,869,560</u> | <u>7,852,402</u> | <u>7,358,984</u> | <u>7,860,167</u> | <u>7,759,529</u> |
| Total net revenues (expenses) | <u>(7,033,762)</u> | <u>(9,074,572)</u> | <u>(8,754,187)</u> | <u>(8,341,080)</u> | <u>(8,431,353)</u> | <u>(7,869,560)</u> | <u>(7,852,402)</u> | <u>(7,358,984)</u> | <u>(7,860,167)</u> | <u>(7,759,529)</u> |
| General revenues: | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Property taxes and assessments | 6,904,269 | 7,445,995 | 6,579,412 | 5,827,961 | 5,151,528 | 3,114,832 | 2,969,087 | 3,134,162 | 3,390,924 | 3,550,298 |
| Pass-through revenues | 2,572,605 | 2,778,058 | 2,575,937 | 2,645,279 | 2,340,578 | 3,178,138 | 3,958,205 | 3,852,978 | 3,607,131 | 3,859,864 |
| Investment income | 510,989 | 520,188 | 298,702 | 180,414 | 129,444 | 90,600 | 50,235 | 45,150 | 46,493 | 77,230 |
| Other revenue | 31,999 | 100,436 | 417,814 | 392,614 | 48,800 | 78,761 | 76,959 | 25,291 | 60,903 | 42,657 |
| Total primary government | <u>10,019,862</u> | <u>10,844,677</u> | <u>9,871,865</u> | <u>9,046,268</u> | <u>7,670,350</u> | <u>6,462,331</u> | <u>7,054,486</u> | <u>7,057,581</u> | <u>7,105,451</u> | <u>7,530,049</u> |
| Changes in net position | | | | | | | | | | |
| Total primary government | <u>\$ 2,986,100</u> | <u>\$ 1,770,105</u> | <u>\$ 1,117,678</u> | <u>\$ 705,188</u> | <u>\$ (761,003)</u> | <u>\$ (1,407,229)</u> | <u>\$ (797,916)</u> | <u>\$ (301,403)</u> | <u>\$ (754,716)</u> | <u>\$ (229,480)</u> |

(1) Public Health was included as General Government

(2) Public Health & General Government are included in Mosquito and Vector control operations

Source: Financial Statements

Coachella Valley Mosquito and Vector Control District
Fund Balances of Government Funds
Last Ten Fiscal Years

| | Fiscal Year | | | |
|------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> |
| General fund: | | | | |
| Reserved | 723,757 | 670,153 | 864,923 | 1,198,455 |
| Unreserved | <u>14,146,435</u> | <u>15,199,051</u> | <u>14,359,444</u> | <u>15,585,319</u> |
| Total general fund | <u><u>14,870,192</u></u> | <u><u>15,869,204</u></u> | <u><u>15,224,367</u></u> | <u><u>16,783,774</u></u> |
| All other governmental funds: | | | | |
| Reserved | | | | |
| Unreserved | <u>-</u> | <u>-</u> | <u>-</u> | <u>20,155</u> |
| Total all other governmental funds | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>20,155</u></u> |

Coachella Valley Mosquito and Vector Control District
Fund Balances of Government Funds, continued
Last Ten Fiscal Years

| | Fiscal Year | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
| General fund: | | | | | | |
| Non-spendable | \$ 1,082,255 | \$ 1,107,967 | 1,292,526 | 1,210,811 | 1,347,850 | 1,507,882 |
| Committed | 2,660,650 | 2,460,190 | 3,514,102 | 3,616,495 | 3,142,583 | 3,358,633 |
| Assigned | 12,220,445 | 12,082,791 | 12,146,883 | 9,855,531 | 10,122,393 | 9,454,534 |
| Unassigned | <u>811,793</u> | <u>614,075</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total general fund | <u>16,775,143</u> | <u>16,265,023</u> | <u>16,953,511</u> | <u>14,682,837</u> | <u>14,612,826</u> | <u>14,321,049</u> |
| All other governmental funds: | | | | | | |
| Assigned | - | 181,500 | - | - | - | - |
| Unassigned | <u>67,618</u> | <u>341</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total all other governmental funds | <u>\$ 67,618</u> | <u>\$ 181,841</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

Source: Financial Statements

Coachella Valley Mosquito and Vector Control District
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

| | Fiscal Year | | | | | |
|---|--------------------|-------------------|-------------------|------------------|------------------|------------------|
| | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
| Revenues: | | | | | | |
| Property taxes and assessments | 6,738,127 | 7,413,574 | 6,701,002 | 5,827,961 | 5,151,528 | 3,973,561 |
| Revenue from other governmental agencies | 2,399,942 | 2,712,588 | 2,822,801 | 2,679,811 | 2,393,674 | 3,551,453 |
| Investment income | 510,989 | 520,188 | 298,702 | 161,912 | 117,754 | 82,222 |
| Charges for services | 36,985 | 13,223 | 12,072 | - | 1,546 | - |
| Miscellaneous revenues | 31,999 | 100,436 | 417,814 | 390,571 | 39,394 | 46,548 |
| Total revenues | <u>9,718,042</u> | <u>10,760,009</u> | <u>10,252,391</u> | <u>9,060,255</u> | <u>7,703,896</u> | <u>7,653,784</u> |
| Expenditures: | | | | | | |
| General government: | | | | | | |
| Administration | 2,288,134 | 2,900,510 | 2,988,917 | 1,798,598 | 1,784,271 | 2,327,152 |
| Maintenance shop | 130,266 | 319,650 | 658,606 | 610,953 | 273,466 | 240,486 |
| Building and grounds | 215,417 | 1,554,124 | 600,553 | 238,184 | 711,454 | 772,582 |
| Trustee expense | 31,523 | 56,408 | 32,111 | 38,862 | 31,621 | 34,982 |
| Public health: | | | | | | |
| Field operations | 2,935,513 | 4,171,400 | 3,532,787 | 3,468,983 | 3,159,817 | 2,877,110 |
| Laboratory | 406,461 | 516,411 | 347,588 | 610,241 | 1,135,431 | 1,196,845 |
| Research | 198,864 | 242,494 | 265,818 | 240,457 | 225,612 | 257,940 |
| Capital outlay: | | | | | | |
| Equipment | 551,512 | - | - | - | - | - |
| Building and grounds | 160,410 | - | - | - | 343,392 | 74,662 |
| Total expenditures | <u>6,918,100</u> | <u>9,760,997</u> | <u>8,760,454</u> | <u>7,480,693</u> | <u>7,665,064</u> | <u>7,781,759</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>2,799,942</u> | <u>999,012</u> | <u>1,491,937</u> | <u>1,579,562</u> | <u>38,832</u> | <u>(127,975)</u> |
| Other financing sources (uses): | - | - | - | - | - | - |
| Transfers in (out) | - | - | (2,594,523) | - | - | - |
| Prior period adjustment | 209,015 | - | - | - | - | (267,922) |
| Net change in fund balances | <u>2,799,942</u> | <u>999,012</u> | <u>1,491,937</u> | <u>1,579,562</u> | <u>38,832</u> | <u>(395,897)</u> |

Continued on next page

Coachella Valley Mosquito and Vector Control District
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years, continued

| | Fiscal Year | | | |
|--|-----------------------|--------------------|------------------|------------------|
| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
| Revenues: | | | | |
| Property taxes | \$ 2,990,314 | 3,144,520 | 3,390,924 | 3,550,298 |
| Redevelopment agency - property tax increment | 3,958,205 | 3,852,978 | 3,607,131 | 3,859,864 |
| Interest earnings | 50,235 | 45,150 | 46,493 | 77,230 |
| ⁽¹⁾ Charges for services -special benefit assessment | 484,502 | 926,757 | 946,473 | 955,039 |
| Miscellaneous revenues | <u>76,959</u> | <u>25,291</u> | <u>60,903</u> | <u>42,657</u> |
| Total revenues | <u>7,560,215</u> | <u>7,994,696</u> | <u>8,051,924</u> | <u>8,485,088</u> |
| Expenditures: | | | | |
| Mosquito and vector control operations: | | | | |
| Salaries and wages | 3,518,861 | 3,511,940 | 4,049,899 | 4,275,911 |
| Employee benefits | 1,901,658 | 1,961,003 | 1,964,764 | 1,717,802 |
| Field operations | 1,092,556 | 974,815 | 903,066 | 1,060,140 |
| Materials, services and supplies | 681,613 | 661,329 | 681,380 | 696,150 |
| Insurance | 273,848 | 400,867 | 300,358 | 186,663 |
| Contract agreements | 230,803 | 123,994 | 144,326 | 134,189 |
| Capital Outlay | <u>1,026,493</u> | <u>2,631,422</u> | <u>197,444</u> | <u>197,444</u> |
| Total expenditures/expenses | <u>8,725,832</u> | <u>10,265,370</u> | <u>8,241,237</u> | <u>8,268,299</u> |
| Excess (deficiency) of revenues over (under) expenditures/expenses | <u>(1,165,617)</u> | <u>(2,270,674)</u> | <u>(189,313)</u> | <u>216,789</u> |
| Other financing sources (uses): | | | | |
| Transfers in (out) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Prior period adjustment | | | | |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | <u>\$ (1,165,617)</u> | <u>(2,270,674)</u> | <u>(189,313)</u> | <u>216,789</u> |

The District in prior years reported expenditures/expenses department wide.

⁽¹⁾ Previously included with property taxes

Source: Financial Statements

**Coachella Valley Mosquito and Vector Control District
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years**

| Fiscal Year Ended June 30 | County | | | Taxable Assessed Value | Total Direct Tax Rate |
|---------------------------------|-------------|-----------|--------------------------------------|------------------------------|-----------------------------|
| | Secured | Unsecured | Less: Tax Exempt Real Property | | |
| 2007 | 202,009,520 | 6,735,421 | (5,125,567) | 203,619,374 | 1.0000 |
| 2008 | 235,351,116 | 7,540,803 | (5,574,813) | 237,317,106 | 1.0000 |
| 2009 | 238,312,506 | 8,685,393 | (6,111,231) | 240,886,668 | 1.0000 |
| 2010 | 213,144,336 | 8,227,172 | (6,424,030) | 214,947,478 | 1.0000 |
| 2011 | 204,153,163 | 8,121,065 | (6,673,229) | 205,600,999 | 1.0000 |
| 2012 | 202,313,851 | 8,057,242 | (6,818,361) | 203,552,732 | 1.0000 |
| 2013 | 201,971,552 | 8,123,443 | (7,116,248) | 202,978,747 | 1.0000 |
| 2014 | 210,523,063 | 7,868,150 | (7,300,462) | 211,090,751 | 1.0000 |
| 2015 | 228,131,826 | 7,676,875 | (7,502,942) | 228,305,759 | 1.0000 |
| ⁽¹⁾ 2016 | 228,131,826 | 7,676,875 | (7,502,942) | 228,305,759 | 1.0000 |

Although the District's services encompass a portion of Riverside County, the amounts presented include the entire County's property taxes.

NOTE:

In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed at the time that it is sold to a new owner. At that point, the new assessed value is reassessed at the purchase price of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

⁽¹⁾ 2016 Data not available as of November 2016

Source: Auditor-Controller, County of Riverside

**Coachella Valley Mosquito and Vector Control District
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years**

| Fiscal Year | County of Riverside | | Range of Overlapping Rates | | Total Direct & Overlapping Rates |
|---------------------|---------------------|----------------------|----------------------------|-----------------------------|----------------------------------|
| | Total County Rate | Total City Rate | Total School District Rate | Total Special District Rate | |
| 2016 ⁽¹⁾ | 1.00000% | 0% to 0.00626% | 0 to .17234% | 0% to 0.53052% | 1.14640% to 1.53052% |
| 2015 | 1.00000% | 0% to 0.00626% | 0 to .17234% | 0% to 0.53052% | 1.14640% to 1.53052% |
| 2014 | 1.00000% | 0% to 0.00673% | 0.01768% to .17571% | 0% to 0.55075% | 1.13830% to 1.55075% |
| 2013 | 1.00000% | 0% to 0.00572% | 0.01702% to .17570% | 0% to 0.58076% | 1.1434% to 1.58076% |
| 2012 | 1.00000% | 0% to 0.12540% | 0.01700% to 0.14030% | 0% to 0.53864% | 1.12540% to 1.53864% |
| 2011 | 1.00000% | 0% to 0.00575% | 0.01499% to 0.13224% | 0% to 0.50000% | 1.12540% to 1.50000% |
| 2010 | 1.00000% | 0.00064% to 0.00577% | 0.01242% to 0.12628% | 0% to 0.50000% | 1.12220% to 1.50000% |
| 2009 | 1.00000% | 0.00119% to 0.00747% | 0.01254% to 0.10963% | 0% to 0.50000% | 1.10950% to 1.50000% |
| 2008 | 1.00000% | 0.00178% to 0.00627% | 0.00549% to 0.08521% | 0% to 0.50000% | 1.09190% to 1.50000% |
| 2007 | 1.00000% | 0.00249% to 0.00821% | 0.00578% to 0.10282% | 0% to 0.54324% | 1.07720% to 1.54324% |

Although the District's services encompass a portion of Riverside County, the amounts presented include the entire County's property taxes.

⁽¹⁾ 2016 Data not available as of November 2016

Source: Auditor-Controller, County of Riverside

**Coachella Valley Mosquito and Vector Control District
Principal Property Taxpayers
Current and Nine Years Ago**

| Taxpayer | *2016 | | 2006 | |
|------------------------------------|--|---|--|---|
| | Taxable Assessed Value# | Percent of Total County Taxable Assessed Value | Taxable Assessed Value# | Percent of Total County Taxable Assessed Value |
| Southern California Edison Company | \$ 42,005 | 1.32% | \$ 8,679 | 0.41% |
| Verizon California LLC | 9,450 | 0.30% | 7,242 | 0.34% |
| Centex Corp | - | - | 7,057 | 0.33% |
| KB Home Coastal Inc. | - | - | 3,743 | 0.18% |
| Southern California Gas Co. | 7,762 | 0.24% | 3,737 | 0.18% |
| Pulte Home Corp. | - | - | 5,400 | 0.25% |
| Ryland Homes of California | | | 3,558 | 0.17% |
| Western Pacific Housing Inc. | | | 3,266 | 0.15% |
| Blythe Energy, LLC | 4,659 | 0.15% | 3,008 | 0.14% |
| Wolf Creek Development | | | 2,567 | 0.12% |
| CPV Sentinel LLC | 9,335 | 0.29% | - | - |
| Inland Empire Energy Center, LLC | 3,697 | 0.12% | - | - |
| Ross Dress for Less Inc. | 3,255 | 0.10% | - | - |
| Walgreen Company | 3,145 | 0.10% | | |
| Chelsea GCA Realty Partnerhsip | 3,133 | 0.10% | - | - |
| Tyler Mall LTD Partnership | 2,967 | 0.09% | - | - |
| Total | \$ 89,408 | 2.81% | \$ 48,257 | 2.27% |

Although the District's services encompass a portion of Riverside County, the amounts presented include the entire County's property taxes.

Source: Treasurer-Tax Collector, County of Riverside

*Prior year numbers used

#Per thousand rounded

Coachella Valley Mosquito and Vector Control District
Property Tax Levies and Collections (thousands)
Last Ten Fiscal Years

| Fiscal Year Ended June 30 | Taxes Levied for the Fiscal Year | Collected within the | | Delinquent ⁽¹⁾ Tax Collections | Total Collections to Date | |
|--|---|-----------------------------|----------------------------|--|----------------------------------|----------------------------|
| | | Fiscal Year of Levy | Percent of Levy | | Amount | Percent of Levy |
| 2007 | 2,559,448 | 2,379,273 | 92.96% | 19,228 | 2,398,501 | 93.71% |
| 2008 | 2,964,342 | 2,708,669 | 91.38% | 3,024 | 2,711,693 | 91.48% |
| 2009 | 3,029,936 | 2,807,718 | 92.67% | 2,406 | 2,810,124 | 92.75% |
| 2010 | 2,791,941 | 2,652,513 | 95.01% | 3,380 | 2,655,893 | 95.13% |
| 2011 | 2,698,916 | 2,603,461 | 96.46% | - | 2,603,461 | 96.46% |
| 2012 | 2,676,613 | 2,605,691 | 97.35% | 442 | 2,606,133 | 97.37% |
| 2013 | 2,677,034 | 2,618,818 | 97.83% | 7,756 | 2,626,574 | 98.12% |
| 2014 | 2,813,382 | 2,763,665 | 98.23% | 12,867 | 2,776,532 | 98.69% |
| 2015 | 3,014,259 | 2,968,113 | 98.47% | 13,140 | 2,981,253 | 98.91% |
| 2016 | ⁽²⁾ \$3,014,259 | 2,968,113 | 98.47% | \$ 13,140 | 2,981,253 | 98.91% |

Although the District's services encompass a portion of Riverside County, the amounts presented include the entire County's property taxes.

⁽¹⁾ The District participates in the County's "Teeter Plan" whereby the county pays current year delinquencies in November of the subsequent year but keeps subsequent collections

⁽²⁾ 2016 Data not available as of November 2016

Source: Riverside County Auditor Controller's Office

**Coachella Valley Mosquito and Vector Control District
Demographic and Economic Statistics
Last Ten Fiscal Years**

| <u>Calendar Year</u> | <u>Population</u> | <u>Personal Income (in thousands)</u> | <u>Per Capita Personal Income</u> | <u>Unemployment Rate</u> |
|--------------------------|-------------------|---|---|------------------------------|
| 2007 | 2,031,625 | 61,024,000 | 29,560 | 5.70% |
| 2008 | 2,088,322 | 65,504,000 | 30,894 | 8.40% |
| 2009 | 2,107,653 | 63,228,086 | 29,748 | 14.00% |
| 2010 | 2,139,535 | 64,376,498 | 29,222 | 14.50% |
| 2011 | 2,217,778 | 69,438,900 | 29,927 | 14.40% |
| 2012 | 2,227,577 | 71,755,000 | 31,742 | 12.60% |
| 2013 | 2,255,059 | 76,289,477 | 33,278 | 10.20% |
| 2014 | 2,279,967 | 76,064,000 | 33,836 | 8.40% |
| 2015 | 2,308,441 | 78,099,000 | 34,359 | 6.60% |
| 2016 | 2,308,441 | (1) \$ 78,099,000 | (1) 34,359 | (1) 6.90% (2) |

Although the District's services encompass a portion of Riverside County, the amounts presented include the entire County's population.

NOTE:

(1) 2016 Data not available as of November 2016

(2) August 2016 Preliminary - Riverside County Economic Development Agency

Source: County of Riverside Economic Data Analysis

**Coachella Valley Mosquito and Vector Control District
Principal Employers
Current and Nine Years Ago**

| Employer | *2016 | | 2006 | |
|--|--------------------------------|--|--------------------------------|--|
| | Number of Employees | Percent of Total Employment | Number of Employees | Percent of Total Employment |
| County of Riverside | 20,684 | 2.17% | 18,035 | 2.22% |
| March Air Reserve Base | 8,500 | 0.89% | 3,901 | 0.48% |
| Stater Brothers Market | 6,900 | 0.72% | 6,000 | 0.74% |
| Wal-Mart | 6,550 | 0.69% | - | |
| University of California Riverside | 5,768 | 0.60% | 6,856 | 0.84% |
| Kaiser Permanente Riverside Medical Center | 5,300 | 0.56% | 3,025 | 0.37% |
| Pechanga Resort & Casino | | | 4,600 | 0.57% |
| Corona-Norco Unified School District | 4,932 | 0.52% | - | |
| Temecula Valley Unified School District | 4,000 | 0.42% | 2,651 | 0.33% |
| Riverside Unified School District | 3,871 | 0.41% | 3,869 | 0.48% |
| Guidant Corporation | | | 3,000 | 0.37% |
| Hemet Unified School District | 3,400 | 0.36% | - | |
| Morongo Casino, Resort & Spa | | | 2,500 | 0.31% |
| Total | 69,905 | 7.34% | 54,437 | 6.71% |

Although the District's services encompass a portion of Riverside County, the amounts presented include the entire County's population. Only the top ten employers that provided data to the County of Riverside are listed for each year.

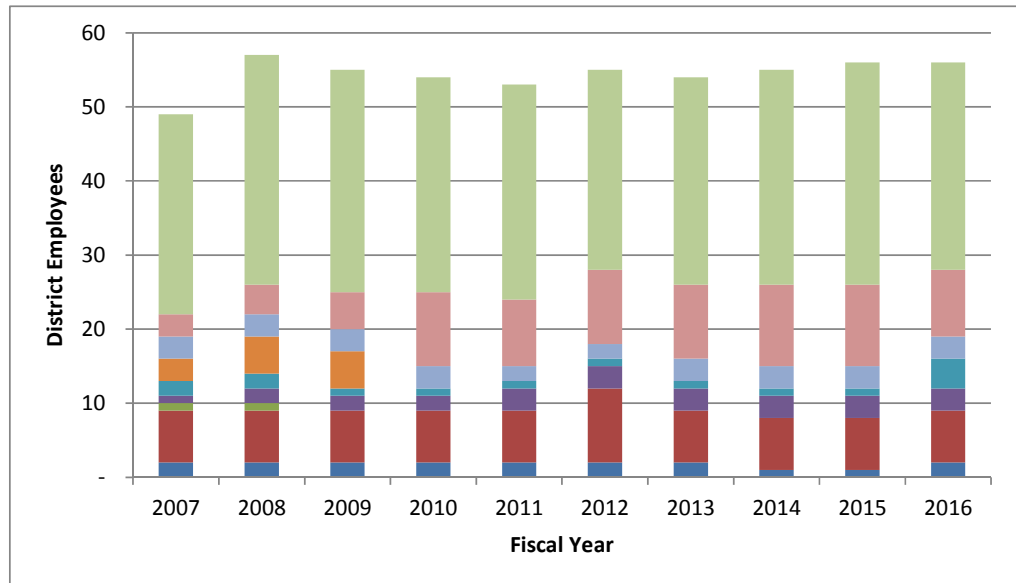
**Prior year numbers used*

Source: County of Riverside Comprehensive Annual Financial Report

**Coachella Valley Mosquito and Vector Control District
Full and Part-time District Employees
Last Ten Fiscal Years**

| Function | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Building and Grounds | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 1 | 1 | 2 |
| Administration | 7 | 7 | 7 | 7 | 7 | 10 | 7 | 7 | 7 | 7 |
| Risk Management | 1 | 1 | - | - | - | - | - | - | - | - |
| Information Technology | 1 | 2 | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 3 |
| Public Outreach | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 4 |
| Bio-Control | 3 | 5 | 5 | - | - | - | - | - | - | - |
| Shop | 3 | 3 | 3 | 3 | 2 | 2 | 3 | 3 | 3 | 3 |
| Lab | 3 | 4 | 5 | 10 | 9 | 10 | 10 | 11 | 11 | 9 |
| Field Operations | 27 | 31 | 30 | 29 | 29 | 27 | 28 | 29 | 30 | 28 |
| Total | 49 | 57 | 55 | 54 | 53 | 55 | 54 | 55 | 56 | 56 |

Source: District's Budget Office



Coachella Valley Mosquito and Vector Control District
Capital Asset Statistics by Function
Last Seven Fiscal Years

| | Fiscal Year | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------------|--------------------|
| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
| Mosquito & WNV Surveillance | | | | | | | | | |
| Abundance per trap night - Rural | 2,326 | 116 | 171 | 138 | 258 | 161 | 172 | 120 | 76 |
| Abundance per trap night - Urban | 42 | 30 | 59 | 24 | 22 | 32 | 22 | 28 | 17 |
| Number of trap nights - Rural | 1,318 | 1,160 | 1,531 | 1,516 | 1,244 | 1,367 | 1,317 | 1,158 | 3,126 |
| Number of trap nights - Urban | 884 | 704 | 1,460 | 1,311 | 1,249 | 1,412 | 1,323 | 3,281 | 3,417 |
| Larval Surveys | 549 | 1,401 | 2,459 | 3,967 | 4,093 | 1,943 | 9,282 | 10,883 | 10,814 |
| West Nile Virus - Coachella Valley ⁽⁶⁾ | | | | | | | | | |
| Human - <i>calendar year</i> | 1 | 1 | - | 1 | 5 | 3 | - | 2 | - |
| Dead Birds | 1 | 1 | 1 | 1 | - | - | - | - | - |
| Mosquito Pools | 26 | 14 | 69 | 43 | 118 | 43 | 67 | 135 ⁽⁶⁾ | 110 ⁽⁶⁾ |
| Sentinel Chickens | 28 | 20 | 39 | 33 | 55 | 25 | 33 | 9 | - ⁽⁷⁾ |
| Number of tested mosquito pools | 1,773 | 1,819 | 3,395 | 1,863 | 3,471 | 1,998 | 1,770 | 3,272 | 4,028 |
| Number of tested sentinel chickens | 1,864 | 1,576 | 2,074 | 2,381 | 1,583 | 1,080 | 918 | 596 | - ⁽⁷⁾ |
| (*) fatal human cases | | | | | | | | | |
| Biocontrol | | | | | | | | | |
| Mosquito Fish Production | 278,385 | 215,035 | 148,834 | 279,010 | 280,248 | 175,887 | 218,065 | 188,537 | 100,385 |
| Acreage stocked with Mosq Fish | 21 | 37 | 7 | 15 | 75 | 52 | 50 | 25 | 40 |
| Fish per acre | 3,000 | 2,432 | 2,489 | 2,624 | 2,529 | 2,608 | 2,840 | 2,242 | 3,000 |
| Tadpole Shrimp Production | 110,400 | 254,220 | N/A | 279,296 | 257,252 | 126,595 | 11,550 | - | - ⁽¹⁾ |
| Acreage stocked with Tadpole Shrimp | 12 | 26 | N/A | 4 | 3 | 3 | - | - | - ⁽²⁾ |
| Mosquito Operations | | | | | | | | | |
| Number of Service Requests | 660 | 469 | 998 | 880 | 773 | 1,009 | 930 | 680 | 786 |
| Acreage Treated - Rural | 3,462 | 4,699 | 4,511 | 2,148 | 3,682 | 2,540 | 5,649 | 2,726 | 2,920 |
| Acreage Treated - Urban | 554 | 566 | 1,278 | 431 | 449 | 377 | 1,002 | 869 | 317 |
| Number of Treatments - Rural | 1,933 | 2,723 | 2,221 | 1,591 | 1,484 | 1,305 | 2,116 | 1,934 | 1,813 |
| Number of Treatments - Urban | 7,084 | 7,483 | 2,796 | 7,161 | 4,773 | 5,922 | 9,450 | 12,124 | 15,713 |
| Red Imported Fire Ants (RIFA) | | | | | | | | | |
| Number of Service Requests | 1,108 | 1,101 | 1,963 | 2,152 | 1,688 | 2,145 | 2,437 | 2,707 | 2,029 |
| Acreage Treated | 37,026 | 38,534 | 13,599 | 21,932 | 14,839 | 18,155 | 22,397 | 19,844 | 21,258 |
| Number of treatments | 4,199 | 4,121 | 2,380 | 2,428 | 2,109 | 2,706 | 3,057 | 3,338 | 2,754 |
| Other Vectors - Trap nights | | | | | | | | | |
| Eye Gnats - 22 traps bi-weekly Feb to Nov | 484 | 559 | 821 | - | - | - | - | - | - ⁽³⁾ |
| Flies - 23 traps weekly - Feb to Nov | 1,012 | 423 | 460 | - | - | - | - | - | - ⁽⁴⁾ |
| Wild Rodents - 50 traps monthly | 600 | 310 | 305 | 400 | 50 | - | - | - | - ⁽⁵⁾ |

Only eight years of information has been presented, prior years are unavailable

Source: Coachella Valley Mosquito and Vector Control District

- (1) Total tadpole shrimp production: *Not evaluated. The District's outdoor tadpole shrimp pond was not in production that year. Production shifted to indoors later in 2010.
- (2) Total tadpole acreage stocked: 0 *No tadpole shrimp were stocked that year while production was shifted from outdoor to indoor.
- (3) In 2011 the routine eye gnat surveillance program was discontinued.
- (4) In 2011 the routine fly surveillance program was discontinued. Surveillance is now performed on a service request basis.
- (5) In 2013 trapping of wild rodents was discontinued
- (6) The District detected St Louis Encephalitis Virus for the 1st time since 2003, these totals include positive SLE and WNV figures.
 Mosquito Pools: 97 WNV/38 SLE (2015)
 Mosquito Pools: 19 WNV/91 SLE (2016)
- (7) In 2016 sentinel chicken testing ceased

Coachella Valley Mosquito and Vector Control District
Capital Asset Statistics by Function
Last Seven Fiscal Years

| | Fiscal Year | | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
| Mosquito & WNV Surveillance | | | | | | | | | |
| Laboratory | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Vehicles | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 11 | 11 |
| Biocontrol | | | | | | | | | |
| Laboratory | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Fish Production Systems (Inside) | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Fish Production Systems (Outside Ponds) | 2 | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 3 |
| Vehicles | 3 | 3 | 3 | 3 | 3 | 2 | 2 | 3 | 3 |
| Mosquito Operations | | | | | | | | | |
| Buildings | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Vehicles | 22 | 22 | 18 | 18 | 19 | 20 | 27 | 35 | 35 |
| Red Imported Fire Ants (RIFA) | | | | | | | | | |
| Vehicles | 13 | 13 | 13 | 13 | 12 | 10 | 10 | 0 | 0 |
| Other Vector | | | | | | | | | |
| Vehicles | 8 | 8 | 8 | 7 | 5 | 7 | 7 | 0 | 0 |

Only eight years of information has been presented, prior years are unavailable
In FY 2014-15 the District combined it's Red Imported Fire Ant (RIFA) and Mosquito Operations into a Full Vector program.

Source: Coachella Valley Mosquito and Vector Control District

Report on Internal Controls and Compliance



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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Coachella Valley Mosquito Vector Control District
Indio, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Coachella Valley Mosquito Vector Control (District) as of and for the year ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated November 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards, continued***

Purpose of this Report

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

A handwritten signature in black ink that reads "Fedak & Brown LLP". The signature is written in a cursive, slightly slanted style.

Fedak & Brown LLP
Cypress, California
November 8, 2016