Butte County Mosquito and Vector Control District

Annual Financial Report

For the Fiscal Year Ended June 30, 2019

Protecting the Public Health Since 1948

Butte County Mosquito and Vector Control District
Matthew C. Ball, District Manager
5117 Larkin Road
Oroville, CA 95965 • (530) 533-6038
www.bcmvcd.com

Butte County Mosquito and Vector Control District

Annual Financial Report

For the Fiscal Year Ended June 30, 2019

Butte County Mosquito and Vector Control District
Annual Financial Report
For the Fiscal Year Ended June 30, 2019

Table of Contents

Financial Section

Fedak & Brown LLP
Certified Public Accountants

Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
Andy Beck, CPA

Cypress Office:
6081 Orange Avenue
Cypress, California 90630
(657) 214-2307
FAX (714) 527-9154

Riverside Office:
1945 Chicago Avenue, Suite C-1
Riverside, California 92507
(951) 783-9149

Independent Auditor's Report

Board of Trustees
Butte County Mosquito and Vector Control District
Oroville, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of Butte County Mosquito and Vector Control District (District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Butte County Mosquito and Vector Control District as of June 30, 2019, 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7, and the required supplementary information on pages 36 through 38, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 11, 2019, 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 39 and 40.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
December 11, 2019

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Butte County Mosquito and Vector Control District (District), provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2019. 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 2019, the District's net position increased 22.87% or $888,097 to $4,771,613.
- In 2019, total revenues from all sources increased 13.65% or $572,874 to $4,768,819.
- In 2019, total expenses decreased 2.70%, or $107,669 to $3,880,722.

Using This Financial Report

This annual report consists of a series of financial statements. The Statements of Net Position and the 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 Statements 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. They also provide 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 respective years' revenues and expenses are accounted for in the Statements of Activities. These statements measure the success of the District's operations over the past years and can be used to determine the District's net operating reserves and credit worthiness.

District Activities

The District was organized in June 1948, as the Butte County Mosquito Abatement District. The District covers 1,600 square miles, and includes all of Butte County, except for small areas served by the Durham and Oroville Mosquito Abatement District, which were formed earlier. The District also includes the Hamilton City area of Glenn County and provides surveillance activities under contract for the Oroville Mosquito Abatement District. In April of 1994, "Vector Control" was added to the District name to reflect the additional disease surveillance and information provided. The District utilizes an Integrated Vector Management approach consisting of vector surveillance, source reduction and/or elimination, public education, biological control, and chemical control. The District also provides public education as an important part in the success of combating diseases such as West Nile virus and Lyme disease. The District education program consists of public appearances at local city and county fairs, participation in the state Mosquito and Vector Awareness week, and presentations to schools and local civic groups.

The District's mission is primarily to suppress mosquito-transmitted disease and to also reduce the annoyance levels of mosquitoes and diseases associated with ticks, fleas, and other vectors through environmentally compatible control practices and public education.

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 and 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. You will need to consider other non-financial factors, such as changes in the District's property tax and assessment base to assess the *overall health* of the District.

Governmental Fund 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 sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Fiduciary Fund Financial Statements

Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position

The District is the trustee, or fiduciary, for its Underground Storage Tank Trust Account Fund (Fiduciary Fund). The Fiduciary Fund is to be used solely for the purpose of paying for corrective action and for compensating third parties for bodily injury and property damages caused by accidental releases of rising petroleum from District owned underground storage tanks.

All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position on pages 14 and 15. The District excludes these activities from its other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

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 16 through 35.

Government-wide Financial Analysis

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 $4,771,613 as of June 30, 2019.

A large portion of the District's net position (65.06% or $3,104,405), reflects its investment in capital assets (net of accumulated depreciation) less any debt used to acquire those assets that are still outstanding. The District uses these capital assets for operations; consequently, these assets are *not* available for future spending. At the end of fiscal year 2019, the District reflected a positive balance in its unrestricted net position of $1,667,208 that may be utilized in future years. (See note 9 for further information)

Condensed Statements of Net Position

	2019	2018	Change
Assets:			
Current assets	$ 5,234,909	4,070,304	1,164,605
Non-current assets	3,104,405	3,184,789	(80,384)
Total assets	8,339,314	7,255,093	1,084,221
Deferred outflows of resources	692,830	832,818	(139,988)
Liabilities:			
Current liabilities	242,407	213,234	29,173
Non-current liabilities	3,845,135	3,895,680	(50,545)
Total liabilities	4,087,542	4,108,914	(21,372)
Deferred inflows of resources	172,989	95,481	77,508
Net position:			
Net investment in capital assets	3,104,405	3,184,789	(80,384)
Unrestricted	1,667,208	698,727	968,481
Total net position	$ 4,771,613	3,883,516	888,097

The statements of activities (see next page) show how the District's net position changed during the fiscal year. In the case of the District, net position increased 22.87% or $888,097 to $4,771,613, which is comprised of an increase from ongoing operations.

The District's total revenues from all sources increased 13.65% or $572,874 to $4,768,819. Program revenues increased $187,362, primarily due to an increase in charges for services. General revenues increased $385,512, primarily due to an increase in property taxes and interest earnings.

Government-wide Financial Analysis, continued

The District's total expenses decreased 2.70%, or $107,669 to $3,880,722, primarily due to a decrease in salaries and benefits.

Condensed Statements of Activities

		2019	2018	Change
Expenses:				
Mosquito and vector control	$	3,880,722	3,988,391	(107,669)
Total expenses		3,880,722	3,988,391	(107,669)
Program revenues		1,270,486	1,083,124	187,362
General revenues		3,498,333	3,112,821	385,512
Total revenues		4,768,819	4,195,945	572,874
Changes in net position		888,097	207,554	680,543
Net position, beginning of year		3,883,516	3,675,962	207,554
Net position, end of year	$	4,771,613	3,883,516	888,097

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 *unreserved 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, 2019, the District's General Fund reported a fund balance of $5,114,202. An amount of $608,501 has been assigned for District operations. The amount of $4,015,892 constitutes unassigned fund balance which is available for future District operations. The remaining fund balance of $489,809 is not available for future spending because it has already been used to pay for chemical and supplies inventory, and prepaid expenses.

General Fund Budgetary Highlights

The final actual expenditures for the General Fund at year-end were $450,750 less than budgeted. The variance is due primarily to salaries and benefits of $147,618 and materials and supplies of $328,169 being less than the anticipated budget. Actual revenues were greater than the anticipated budget by $919,591. (See Budgetary Comparison Schedule – General Fund under Required Supplementary Information section on page 36)

Capital Asset Administration

		Balance 2018	Additions	Deletions/ Transfers	Balance 2019
Non-depreciable assets	$	615,403	-	-	615,403
Depreciable assets		5,048,292	220,037	(149,619)	5,118,710
Accumulated depreciation		(2,478,906)	(277,178)	126,376	(2,629,708)
Total capital assets, net	$	3,184,789	(57,141)	(23,243)	3,104,405

At the end of fiscal year 2019, the District's investment in capital assets amounted to $3,104,405 (net of accumulated depreciation). This investment in capital assets includes buildings and improvements, vehicles, equipment, machinery, and furniture and fixtures. Capital asset additions during the year included District equipment and vehicle purchases totaling $220,307.

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 Manager, Matthew Ball, at the Butte County Mosquito and Vector Control District, 5117 Larkin Road, Oroville, California 95965 or (530) 533-6038.

Basic Financial Statements

Butte County Mosquito and Vector Control District
Statements of Net Position
June 30, 2019
With comparative amounts for June 30, 2018

		2019	2018
Current assets:			
Cash and cash equivalents (note 2)	$	4,676,819	3,701,558
Accrued interest receivable		17,933	13,423
Accounts receivable – charges for services		50,348	33,734
Materials and supplies inventory		462,537	297,046
Prepaid expenses		27,272	24,543
Total current assets		5,234,909	4,070,304
Non-current assets:			
Capital assets, not being depreciated (note 3)		615,403	615,403
Capital assets, being depreciated (note 3)		2,489,002	2,569,386
Total non-current assets		3,104,405	3,184,789
Total assets		8,339,314	7,255,093
Deferred outflows of resources:			
Deferred pension outflows (note 7)		692,830	832,818
Total deferred outflows of resources		692,830	832,818
Current liabilities:			
Accounts payable and accrued expenses		50,020	27,642
Accrued salaries and benefits		70,687	63,829
Long-term liabilities – due within one year:			
Compensated absences (note 4)		121,700	121,763
Total current liabilities		242,407	213,234
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences (note 4)		486,801	487,052
Net pension liability (note 7)		3,358,334	3,408,628
Total non-current liabilities		3,845,135	3,895,680
Total liabilities		4,087,542	4,108,914
Deferred inflows of resources:			
Deferred pension inflows (note 7)		172,989	95,481
Total deferred inflows of resources		172,989	95,481
Net position:			
Net investment in capital assets		3,104,405	3,184,789
Unrestricted (note 9)		1,667,208	698,727
Total net position	$	4,771,613	3,883,516

See accompanying notes to the basic financial statements

Butte County Mosquito and Vector Control District
Statements of Activities
For the Fiscal Year Ended June 30, 2019
With comparative amounts for June 30, 2018

		2019	2018
Expenses:			
Mosquito and vector control:			
Salaries and benefits	$	2,372,270	2,481,072
Materials and supplies		1,231,274	1,252,813
Depreciation		277,178	254,506
Total expenses		3,880,722	3,988,391
Program revenues:			
Charges for services – property benefit assessments		858,490	757,607
Charge for services			
Oroville Mosquito Abatement District		146,500	54,938
Others		265,496	270,579
Total program revenues		1,270,486	1,083,124
Net program revenues		(2,610,236)	(2,905,267)
General revenues:			
Property taxes		3,313,158	3,065,789
Interest earnings		58,610	(35,735)
Unrealized gain(loss) on investment		61,226	36,991
Other		65,339	45,776
Total general revenues		3,498,333	3,112,821
Change in net position		888,097	207,554
Net position, beginning of year		3,883,516	3,675,962
Net position, end of year	$	4,771,613	3,883,516

See accompanying notes to the basic financial statements

Butte County Mosquito and Vector Control District
Balance Sheet
June 30, 2019

	General Fund	Reclassifications & Eliminations	Statements of Net Position
Current assets:			
Cash and cash equivalents (note 2)	$ 4,676,819	-	4,676,819
Accrued interest receivable	17,933	-	17,933
Accounts receivable – charge for services	50,348	-	50,348
Materials and supplies inventory	462,537	-	462,537
Prepaid expenses	27,272	-	27,272
Total current assets	5,234,909	-	5,234,909
Non-current assets:			
Capital assets, not being depreciated (note 3)	-	615,403	615,403
Capital assets, being depreciated (note 3)	-	2,489,002	2,489,002
Total non-current assets	-	3,104,405	3,104,405
Total assets	5,234,909	3,104,405	8,339,314
Deferred outflows of resources:			
Deferred pension outflows (note 7)	-	692,830	692,830
Total deferred outflows of resources	-	692,830	692,830
Current liabilities:			
Accounts payable and accrued expenses	50,020	-	50,020
Accrued salaries and benefits	70,687	-	70,687
Long-term liabilities – due within one year:			
Compensated absences (note 4)	-	121,700	121,700
Total current liabilities	120,707	121,700	242,407
Non-current liabilities:			
Long-term liabilities – due in more than one year:			
Compensated absences (note 4)	-	486,801	486,801
Net pension liability (note 7)	-	3,358,334	3,358,334
Total non-current liabilities	-	3,845,135	3,845,135
Total liabilities	120,707	3,966,835	4,087,542
Deferred inflows of resources			
Deferred pension inflows (note 7)	-	172,989	172,989
Total deferred inflows of resources	-	172,989	172,989
Fund balance: (note 8)			
Non-spendable	489,809	(489,809)	-
Assigned	608,501	(608,501)	-
Unassigned	4,015,892	(4,015,892)	-
Total fund balance	5,114,202	(5,114,202)	-
Total liabilities and fund balance	$ 5,234,909		
Net position:			
Net investment in capital assets		3,104,405	3,104,405
Unrestricted		1,667,208	1,667,208
Total net position		4,771,613	4,771,613

Continued on next page

See accompanying notes to the basic financial statements

Butte County Mosquito and Vector Control District
Reconciliation of the Balance Sheet of Governmental Type Funds to the Statements of Net Position
June 30, 2019

Reconciliation:

Fund balance of governmental funds	$	5,114,202
Amounts reported for governmental activities in the statements of net position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund balance sheet.		
Capital assets, net		3,104,405
Deferred outflows of resources		692,830
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 statements of net position as follows:		
Compensated absences		(608,501)
Net pension liability		(3,358,334)
Deferred inflows of resources		(172,989)
Net position of governmental activities	$	4,771,613

See accompanying notes to the basic financial statements

Butte County Mosquito and Vector Control District
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2019

		General Fund	Reclassifications & Eliminations	Statements of Activities
Expenditures/Expenses:				
Mosquito and vector control operations:				
Salaries and benefits	$	2,205,382	166,888	2,372,270
Materials and supplies		1,208,031	23,243	1,231,274
Capital outlay		220,037	(220,037)	-
Depreciation expense		-	277,178	277,178
Total expenditures/expenses		3,633,450	247,272	3,880,722
Program revenues:				
Charge for services – property assessments		858,490	-	858,490
Charge for services				
Oroville Mosquito Abatement District		146,500	-	146,500
Others		265,496	-	265,496
Total program revenues		1,270,486	-	1,270,486
Net program expense				2,610,236
General revenues:				
Property taxes		3,313,158	-	3,313,158
Interest earnings		58,610	-	58,610
Unrealized gain(loss) on investment		61,226	-	61,226
Other		65,339	-	65,339
Total general revenues		3,498,333	-	3,498,333
Total revenues		4,768,819	-	4,768,819
Excess of revenues over expenditures		1,135,369	(247,272)	-
Changes in net position		-	247,272	888,097
Fund balance/Net position, beginning of period		3,586,522	-	3,883,516
Fund balance/Net position, end of period	$	5,114,202	-	4,771,613

Continued on next page

See accompanying notes to the basic financial statements

Butte County Mosquito and Vector Control District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Type Funds to the Statements of Activities
For the Fiscal Year Ended June 30, 2019

Reconciliation:

Net changes in fund balance of governmental fund	$	1,135,369
Amounts reported for governmental activities in the statements of activities is different because:		
Governmental funds report capital outlay as expenditures. However, in the statements of activities, the cost of those assets are included as capital assets and allocated over their estimated useful lives as depreciation expense; and gain and losses resulting from the disposal of the capital assets are recognized. The effects of capital assets to the governmental funds are as follows:		
Loss on disposal of fixed assets		(23,243)
Capital outlay		220,037
Depreciation expense		(277,178)
Some expenses reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenses in the governmental funds as follows:		
Change in compensated absences		314
Change is net pension liability		(167,202)
Changes in net position of governmental activities	$	888,097

See accompanying notes to the basic financial statements

Butte County Mosquito and Vector Control District
Statements of Fiduciary Net Position
June 30, 2019
With comparative amounts for June 30, 2018

		2019	2018
Current assets:			
Cash and cash equivalents (note 2)	$	5,000	5,000
Total assets		5,000	5,000
Net position:			
Held in trust for underground storage tank facility		5,000	5,000
Total net position	$	5,000	5,000

See accompanying notes to the basic financial statements

Butte County Mosquito and Vector Control District
Statements of Changes in Fiduciary Net Position
June 30, 2019
With comparative amounts for June 30, 2018

		2019	2018
Additions:			
Total additions	$	-	-
Deductions:			
Total deductions		-	-
Changes in net position		-	-
Net position, beginning of period		5,000	5,000
Net position, end of period	$	5,000	5,000

See accompanying notes to the basic financial statements

(1) Reporting Entity and Summary of Significant Accounting Policies

A. Organization and Operations of the Reporting Entity

The Butte County Mosquito and Vector Control District (District) was formed by Resolution on May 7, 1948, and provides pest abatement for Butte County, except for areas covered by Oroville and Durham Mosquito Abatement Districts, and for Hamilton City located in Glenn County.

The District is an autonomous Special District of the State of California, formed in accordance with the Health and Safety Codes, Chapter 5, Article 2, Division 3, and is governed by an 11 member Board of Trustees. The Board of Trustees is comprised of five trustees representing Butte County, one trustee from each of the five incorporated Butte County cities, and one trustee representing the Hamilton City area of Glenn County. The trustees are appointed by the agency they represent.

The District's financial statements include all transactions for which the District is financially accountable. Financial accountability is defined as appointment of a majority of a component unit's Board and either the ability to impose the will of the District or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the District. Based on these criteria, the District has determined that there are no component units that come under the criteria for inclusion. The District is not a component unit of any other government entity.

B. Basis of Accounting and Measurement Focus

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

- Government-wide financial statements
- Governmental Fund financial statements
- Fiduciary 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 Statements of Net Position. The Statements of Activities present changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which the liability is incurred. The Statements of Activities demonstrate 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) charge for services, 2) operating grants and contributions, and 3) capital grants and contributions. Charge for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grants 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 Balance for all major governmental funds. Incorporated into these statements is a schedule to reconcile and explain the difference in fund balance 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 these statements to meet the qualifications of GASB Statement No. 34.

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

B. Basis of Accounting and Measurement Focus, continued

Governmental Fund Financial Statements, continued

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 Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) of 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 taxes and assessments, interest earnings, investment 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. 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.

Fiduciary Fund Financial Statements

These statements include the Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position for all funds held by governmental unit in a trustee or agent capacity for others. Fiduciary funds should be used to report assets held in a trustee or agency capacity for others and, therefore, cannot be used to support the government's own programs. Fiduciary activities, whose resources are not available to finance the government's programs, should be excluded from the Government-wide Financial Statements. The District has presented its Trust Fund, as its major fund to account for resources legally held in trust by the District in a trustee capacity, in these statements to meet the qualifications of GASB Statement No. 34. The District's trust fund was established to account for the underground tank facility pursuant to 40 CFR 280.93.

Fiduciary funds are accounted for on an *economic resources* measurement focus and the accrual basis of accounting. *Fiduciary fund* reporting focuses on net position and changes in net position. Fiduciary fund financial statements should include information of all fiduciary funds of the primary government, as well as component units that are fiduciary in nature.

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.

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

C. Financial Reporting, continued

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

In November 2016, the GASB issued Statement No. 83 – *Certain Asset Retirement Obligations.* This Statement (1) addresses accounting and financial reporting for certain asset retirement obligations (AROs), (2) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (3) requires that recognition occur when the liability is both incurred and reasonably estimable, (4) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, (5) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually, and (6) requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets.

In April 2018, the GASB issued Statement No. 88 – *Certain Disclosures Related to Debt Including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance

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, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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.

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

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

2. Cash and Cash Equivalents

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

3. Investments and Investment Policy

The District has adopted a formal investment policy as required by Section 53600, et al. seq., of the California Government Code. The District's investments are as follows:

- Checking and savings account held with financial institutions
- Butte County Treasurer investment pool

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. Property Taxes and Assessments

The Butte County Assessor's Office assesses all real and personal property within the County each year. The Butte County Tax Collector's Office bills and collects the District's share of property taxes and assessments. The Butte County 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 Butte County which have not been credited to the District's cash balance as of June 30th. The property tax calendar is as follows:

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

5. 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 first-in, first-out (FIFO) cost method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

6. 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.

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

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

7. Capital Assets

Capital assets are recorded in the government-wide financial statements. Included in capital assets are land, structures, improvements, equipment, and vehicles. District policy has set the capitalization threshold for reporting capital assets at $2,500. 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 an asset in the government-wide financial statements to the extent the District's capitalization threshold is met. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Structures and improvements – 10 to 30 years
- Equipment and vehicles – 5 to 20 years

8. Deferred Outflows of Resources

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

9. Compensated Absences

The District's compensated leave policies allow full-time employees to accumulate vacation and sick leave. Vacation leave may be accumulated to a maximum of 400 hours. Vacation is accrued at varying rates depending on the employee's years of service. At termination, an employee shall only be paid for that portion of accumulated vacation time which the employee has not been given an opportunity to use. Payment for unused vacation will be based on salary rate at the time of the employee's termination. The outstanding liability for compensated absences is reported as a long-term liability in the statements of net position.

Sick leave, for full-time employees, may be accumulated on an unlimited basis. Upon termination of employment, full-time employees with more than 240 hours of accrued sick leave may be compensated for the portion of time in excess of 240 hours at the current rate of pay, up to a maximum of $2,500; or at the time of retirement, accumulated sick leave shall be determined and the hours of sick leave shall be multiplied by the employees' then existing straight-time wage rate, and the balance, net of withheld taxes, will represent a fund to be held and paid out by the District to the retired employee, in equal annual installments with a maximum annual payment of no more than $5,000, until the calculated amount is paid or the employee becomes eligible for Medicare, whichever comes sooner. Sick leave not exchanged for cash credit under this option, may be used under the final option, in which employees may convert any remaining sick leave into PERS service time credit according to a PERS formula.

10. Deferred Inflows of Resources

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

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

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

11. 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, 2017
- Measurement Date: June 30, 2018
- Measurement Period: July 1, 2017 to June 30, 2018

12. Net Position

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

- **Net investment in capital assets** – consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets.

- **Restricted net position** – consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

- **Unrestricted net position –** consists of the net amount of the assets and deferred outflows of resources, less liabilities and deferred inflows of resources that are not included in the determination of the *net investment in capital assets* or *restricted components of net position*.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

13. Fund Balance

The governmental fund financial statements report fund balance as non-spendable, 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. In the fund financial statements, the District has implemented the requirements of *GASB No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions*. The Board of Trustees formally adopted the following fund balance classifications.

- **Non-spendable 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 or enabling legislation.

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

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

13. Fund Balance, continued

- **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 underlying action that imposed the limitation needs to occur no later than the close of the reporting period.
- **Assigned fund balance** – amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose. This is also the classification for residual funds in the District's special revenue funds.
- **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.

Fund Balance Policy

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.

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.

(2) Cash and Cash Equivalents

Cash and cash equivalents as of June 30, are classified in the accompanying financial statements as follows:

		2019
Statements of Net Position:		
Cash and cash equivalents	$	4,676,819
Statements of Fiduciary Net Position:		
Cash and cash equivalents		5,000
Total cash and cash equivalents	$	4,681,819

(2) Cash and Cash Equivalents, continued

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

		2019
Statements of Net Position:		
Deposits held with financial institutions	$	11,500
Deposits held with Butte County Treasury		4,665,319
Total cash and cash equivalents	$	4,676,819

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

		2019
Statements of Net Position:		
Held in trust for underground storage tank facility	$	5,000
Total cash and cash equivalents	$	5,000

Authorized Deposits and Investments

Under provisions of the District's investment policy, and in accordance with Section 53601 of the California Government Code, the District invests in certain types of investments as listed in Note 1(D)(3) to the financial statements.

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 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. 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 (such as LAIF).

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 District's 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.

(2) Cash and Cash Equivalents, continued

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. The District's investment in the Butte County Treasurer investment pool had an average maturity of 708 days.

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 risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investments of the District do not have a rating provided by a nationally recognized statistical rating organization.

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 represent 5% or more of total District's investments as of June 30, 2019.

(3) Capital Assets

	Balance 2018	Additions	Deletions/ Transfers	Balance 2019
Non-depreciable assets:				
Land	$ 615,403	-	-	615,403
Total non-depreciable assets	615,403	-	-	615,403
Depreciable assets:				
Structures and improvements	2,516,638	-	-	2,516,638
Equipment and vehicles	2,531,654	220,037	(149,619)	2,602,072
Total depreciable assets	5,048,292	220,037	(149,619)	5,118,710
Less accumulated depreciation:				
Structures and improvements	(988,826)	(83,853)	-	(1,072,679)
Equipment and vehicles	(1,490,080)	(193,325)	126,376	(1,557,029)
Total accumulated depreciation	(2,478,906)	(277,178)	126,376	(2,629,708)
Total depreciable assets, net	2,569,386	(57,141)	(23,243)	2,489,002
Total capital assets, net	$ 3,184,789			3,104,405

Major capital asset additions during the year include equipment and vehicles of $220,037.

(4) Compensated Absences

The changes to compensated absences balances at June 30 were as follows:

Balance 2018	Additions	Deletions	Balance 2019	Due Within One Year	Due in more than one year
$ 608,815	209,975	(210,289)	608,501	121,700	486,801

(5) 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, 2019, was $335,429.

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 statements of net position.

(6) Operating Lease

The District's main headquarters and facilities are located on real property leased from the City of Oroville. The lease term and payment provisions of the original lease agreement were amended on February 17, 2015, as follows:

1. The term of the lease shall be for a period of thirty (30) years, commencing February 17, 2015, and ending February 17, 2045.
2. The District shall pay $350 per month rent to the City.

During the fiscal year ended June 30, 2019, the District paid the City of Oroville rent totaling $4,200.

Future minimum rental payments are as follows:

June 30,	Amount
2020	$ 4,200
2021	4,200
2022	4,200
2023	4,200
2024	4,200
2025-2029	21,000
2030-2034	21,000
2035-2039	21,000
2040-2044	21,000
2045	2,800

(7) 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 the District's resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information and 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 2.5% at 55 Risk Pool Retirement Plan to new employee entrants effective December 31, 2013. All employees hired after January 1, 2013, are eligible for the District's CalPERS 2.0% at 62 Retirement Plan under PEPRA.

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

	Miscellaneous Pool	
	Classic	**PEPRA**
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.5% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	
Benefit payments	monthly for life	
Retirement age	50 - 55	52 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rates	8.00%	6.25%
Required employer contribution rates	10.02%	6.84%

(7) Defined Benefit Pension Plan, continued

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1, following notice of a change in the rate. Funding contributions for the Plan are 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 year ended June 30, 2019, the contributions recognized as part of pension expense for the Plan was as follows:

		2019
Contributions – employer	$	272,334

Net Pension Liability

As of the fiscal year ended June 30, 2019, the District reported net pension liabilities for its proportionate share of the net pension liability of the Plan as follows:

		2019
Proportionate share of net pension liability	$	3,358,334

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, 2018 (the measurement date), 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, 2017 (the valuation date), rolled forward to June 30, 2018, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

The District's proportionate share of the net pension liability for the Plan as of the measurement date June 30, 2018, was as follows:

	Miscellaneous
Proportion – June 30, 2017	0.03437%
Changes in proportion	0.00048%
Proportion – June 30, 2018	0.03485%

(7) Defined Benefit Pension Plan, continued

Deferred Pension Outflows(Inflows) of Resources

For the fiscal year ended June 30, 2019, the District recognized pension expense of $469,396.

At June 30, 2019, 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 measurement date	$	302,194	-
Differences between actual and expected experience		85,005	-
Change in assumptions		289,028	-
Net difference between projected and actual earnings on plan investments		16,603	-
Adjustment due to differences in proportions of net pension liability		-	(172,989)
Total	$	692,830	(172,989)

For the year ended June 30, 2019, the District's deferred outflows of resources related to contributions subsequent to the measurement date totaled $302,194; and other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows:

Fiscal Year Ending June 30,		Deferred Outflows/ (Inflows) of Resources
2020	$	245,752
2021		134,058
2022		(131,955)
2023		(30,208)

(7) Defined Benefit Pension Plan, continued

Actuarial Assumptions

The total pension liabilities in the June 30, 2017, actuarial valuations were determined using the following actuarial assumptions and methods:

Valuation date	June 30, 2017
Measurement date	June 30, 2018
Actuarial cost method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial assumption	
Discount rate	7.15%
Inflation	2.50%
Salary increase	Varies by entry age and service
Mortality table*	Derived using CalPERS membership data
Period upon which actuarial experience survey assumptions were based	1997 - 2015
Post-retirement benefit increase	Contract COLA up to 2.50% until PPPA floor on purchasing power applies; 2.50% thereafter.

* The mortality table used was developed based on CalPERS specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP 2016. For more details on this table, please refer to the December 2017, experience study report (based on CalPERS demographic data from 1997 to 2015) available online on the CalPERS website.

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2018, for the PERF C was 7.15%. This discount rate is not adjusted for administrative expenses.

The PERF C fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return for those pension plans' investments were applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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 of the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long term (11+ 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 rounded single equivalent expected 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

(7) Defined Benefit Pension Plan, continued

Discount Rate, continued

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

Asset Class	Target Allocation	Real Return Years 1-10	Real Return Year 11+
Global Equity	50.00 %	4.80 %	5.38 %
Global Fixed Income	28.00	1.00	2.62
Inflation Sensitive	-	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Asset	13.00	3.75	4.93
Infrastructure and Forestland	-	-	-
Liquidity	1.00	-	(0.92)
Total	100.00 %		

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

As of June 30, 2019, the District's net pension liability at the current discount rate, using a discount rate that is one-percentage point lower, and using a discount rate is one-percentage point higher, are as follows:

	Discount Rate - 1% 6.15%	Current Discount Rate 7.15%	Discount Rate + 1% 8.15%
District's Net Pension Liability	$ 4,979,919	3,358,334	2,019,744

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 37 and 38 for the Required Supplementary Information.

(8) Fund Balances

Fund balances are presented in the following categories: nonspendable, restricted, committed, assigned, and unassigned.

A detailed schedule of fund balance and their funding composition at June 30 is as follows:

		2019
Fund balance:		
Non-spendable:		
Materials and supplies inventory	$	462,537
Prepaid expenses		27,272
Total non-spendable		489,809
Assigned:		
Compensated absences		608,501
Total assigned		608,501
Unassigned		4,015,892
Total fund balance	$	5,114,202

(9) Unrestricted Net Position

Calculation of unrestricted net position as of June 30 was as follows:

		2019
Non-spendable net position:		
Materials and supplies inventory	$	462,537
Prepaid expenses		27,272
Total non-spendable net position		489,809
Spendable net position:		
Designated for vector control		1,177,399
Total spendable net position		1,177,399
Total unrestricted net position	$	1,667,208

(10) Risk Management

The District is exposed to 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 was established in 1979, for the purpose of funding and developing programs to provide various insurance coverages for its member mosquito abatement and vector control districts in California. The VCJPA is a public entity risk pool operating a common risk management insurance program and organized pursuant to the provisions of the California Government Code for the purpose of providing insurance coverage for member districts. VCJPA is a Joint Powers Agency of 35 mosquito abatement and/or vector control districts in the State of California.

At June 30, 2019, the District participated in the liability and property programs of the VCJPA as follows:

- Commercial general and automobile liability, public officials and employees' errors and omission insurance
- Property insurance
- Fidelity insurance
- Workers' compensation insurance

Commercial General and Automobile Liability, Public Officials and Employees' Errors and Omission Insurance: Annual deposits are paid by member agencies and are adjusted retrospectively to cover costs. There is a $25,000 self-insured retention under this program. The first $1,000,000 in coverage is pooled in a risk sharing plan with other agencies in VCJPA. Additional coverage purchased by the authority includes $14 million in excess liability coverage and $2 million in employment practices liability coverage.

Property Insurance: The District has a $500 deductible for personal property, $2,500 to $350,000 deductible for boiler and machinery coverage, $10,000 deductible for all-risk property insurance coverage, and a $500 deductible for auto physical damage coverage. The following insurance limits apply: personal property - $10,000 for any one loss; boiler and machinery - $100,000,000 per occurrence limit; all-risk property - $1,000,000,000 per occurrence; and auto physical damage - $35,000 per accident. The District purchases airplane liability and property coverage directly through an independent insurance agent.

Fidelity Insurance: The District has a $2,500 deductible for public employees' fidelity insurance coverage. The coverage limit is $1,000,000 for each loss.

Worker's Compensation Insurance: Annual deposits are paid by member agencies and are adjusted retrospectively to cover costs. The first $500,000 in coverage is pooled under a risk sharing plan with other agencies in the VCJPA. Additional statutory coverage was purchased by VCJPA.

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, 2019. 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 was no IBNR claims payable as of June 30, 2019.

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

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

Governmental Accounting Standards Board Statement No. 84

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 87

In June 2017, the GASB issued Statement No. 87 – *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

Governmental Accounting Standards Board Statement No. 89

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period.* The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

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

***Governmental Accounting Standards Board Statement No. 89*, continued**

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.

Governmental Accounting Standards Board Statement No. 90

In August 2018, the GASB issued Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

Governmental Accounting Standards Board Statement No. 91

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

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

***Governmental Accounting Standards Board Statement No. 91,* continued**

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

(12) Contingencies

Litigation

The District accounts for material liability claims and judgments in accordance with GASB standards. When it is probable that a claim liability has been incurred at year end, and the amount of the loss can be reasonably estimated, the District records the estimated loss net of insurance coverage. The District had no material claims that would require loss provision in the financial statements during this reporting period.

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.

(13) Subsequent Event

Events occurring after June 30, 2019, have been evaluated for possible adjustment to the financial statements or disclosure as of December 11, 2019, 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.

Required Supplementary Information

Butte County Mosquito and Vector Control District
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2019

		Adopted Original Budget	Board Approved Changes	Revised Budget	Actual Budgetary Basis	Variance Positive (Negative)
Expenditures/Expenses:						
Mosquito and vector control operations:						
Salaries and benefits	$	2,353,000	-	2,353,000	2,205,382	147,618
Materials and supplies		1,571,200	(35,000)	1,536,200	1,208,031	328,169
Capital outlay		160,000	35,000	195,000	220,037	(25,037)
Total expenditures		4,084,200	-	4,084,200	3,633,450	450,750
Program revenues:						
Charges for services – property assessments		778,726	-	778,726	858,490	79,764
Charge for services						
Oroville Mosquito Abatement District		-	-	-	146,500	146,500
Others		150,000	-	150,000	265,496	115,496
Total program revenues		928,726	-	928,726	1,270,486	341,760
General revenues:						
Property taxes		2,880,302	-	2,880,302	3,313,158	432,856
Interest earnings		20,200	-	20,200	58,610	38,410
Unrealized gain(loss) on investment		-	-	-	61,226	61,226
Other		20,000	-	20,000	65,339	45,339
Total general revenues		2,920,502	-	2,920,502	3,498,333	577,831
Total revenues		3,849,228	-	3,849,228	4,768,819	919,591
Deficiency(Excess) of revenues under expenditures		(234,972)	-	(234,972)	1,135,369	1,370,341
Fund balance – beginning of year		3,586,522		3,586,522	3,586,522	

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 District Manager and Office 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, if any.

Butte County Mosquito and Vector Control District
Schedules of the District's Proportionate Share of the Net Pension Liability
As of June 30, 2019
Last Ten Years*

Description		Measurement Dates			
	6/30/18	6/30/17	6/30/16	6/30/15	6/30/14
District's proportion of the net pension liability (asset)	0.03485%	0.03437%	0.03440%	0.03483%	0.02898%
District's proportionate share of the net pension liability (asset)	$ 3,358,334	3,408,628	2,390,965	2,390,965	1,803,155
District's covered-employee payroll	$ 1,238,109	1,132,447	1,079,612	1,004,604	1,142,950
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	271.25%	301.00%	221.47%	238.00%	157.76%
Plan's fiduciary net position as a percentage of the total pension liability	75.26%	73.31%	74.06%	78.40%	79.82%

Notes to the Schedules of the District's Proportionate Share of the Net Pension Liability

Change in Benefit Terms

The District can make changes to their plan provisions, and such changes occur on an ongoing basis. A summary of the plan provisions that were used for the District's plan can be found in the plan's annual valuation report.

Change of Assumptions

In December 2017, the CalPERS Board adopted new mortality assumptions for plans participating in the PERF. The new mortality table was developed from the December 2017 experience study and includes 15 years of projected ongoing mortality improvement using 90% of scale MP 2016 published by the Society of Actuaries. The inflation assumption is reduced from 2.75% to 2.50%.

The assumptions for individual salary increases and overall payroll growth are reduced from 3.00% to 2.75%. These changes will be implemented in two steps commencing in the June 30, 2017 funding valuation. However, for financial reporting purposes, these assumption changes are fully reflected in the results for fiscal year 2018.

In fiscal year 2017, the financial reporting discount rate for the PERF C was lowered from 7.65% to 7.15%. In December 2016, the CalPERS Board approved lowering the funding discount rate used in the PERF C from 7.50% to 7.00%, which is to be phased in over a three-year period (7.50% to7.375%, 7.375% to 7.25%, and 7.25% to 7.00%) beginning with the June 30, 2016, valuation reports. The funding discount rate includes a 15 basis-point reduction for administrative expenses, and the remaining decrease is consistent with the change in the financial reporting discount rate.

In fiscal year 2015, the financial reporting discount rate was increased from 7.50% to 7.65% resulting from eliminating the 15 basis-point reduction for administrative expenses. The funding discount rate remained at 7.50% during this period, and remained adjusted for administrative expenses.

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Butte County Mosquito and Vector Control District
Schedules of Pension Plan Contributions
As of June 30, 2019
Last Ten Years*

Description		Fiscal Years 6/30/19	6/30/18	6/30/17	6/30/16	6/30/15
Actuarially determined contribution	$	302,194	272,334	239,072	210,560	147,809
Contributions in relation to the actuarially determined contribution		(302,194)	(272,334)	(240,340)	(154,620)	(147,809)
Contribution deficiency (excess)	$	-	-	(1,268)	55,940	-
District's covered payroll	$	1,238,109	1,132,447	1,079,612	1,004,604	1,142,950
Contribution's as a percentage of covered payroll		24.41%	24.05%	22.26%	15.39%	12.93%

Notes to the Schedules of Pension Plan Contributions

* The District has presented information for those years for which information is available until a full 10-year trend is compiled.

Report on Internal Controls and Compliance

Fedak & Brown LLP
Certified Public Accountants

Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
Andy Beck, CPA

Cypress Office:
6081 Orange Avenue
Cypress, California 90630
(657) 214-2307
FAX (714) 527-9154

Riverside Office:
1945 Chicago Avenue, Suite C-1
Riverside, California 92507
(951) 783-9149

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
Butte County Mosquito and Vector Control District
Oroville, 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 Butte County Mosquito and Vector Control (District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated December 11, 2019.

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 opinion 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*.

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.

Fedak & Brown LLP

Fedak & Brown LLP
Cypress, California
December 11, 2019