

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

COTATI, CALIFORNIA

BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2016

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MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

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**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
BOARD OF TRUSTEES
JUNE 30, 2016**

Term Expires
Dec 31st

Lee Braun, President	2018
Shaun McCaffery, Vice-President	2017
Herb Rowland, Secretary	2016
Laurie Gallian, Treasurer.....	2018
Paul Libeu	2016
Nancy Barnard.....	2018
Ed Schulze	2019
Sandra Ross	2017
Martin Castro	2017
Steve Ayala	2016
Una Glass	2017
Tamara Davis.....	2018
Richard Stabler	2017
Laura Fennema	2016
Art Deicke.....	2017
Frank Egger	2017
Pamela Harlem	2017
Terry Pebbles.....	2017
Paul Sagues.....	2017
Yvonne Van Dyke.....	2016

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Marin/Sonoma Mosquito and Vector Control District (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial positions of governmental activities and each major fund of the Marin/Sonoma Mosquito and Vector Control District as of June 30, 2016, and the respective changes in the financial position and budgetary comparisons listed as part of the basic financial statements thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Management adopted the provisions of the following Governmental Accounting Standards Board Statement, which became effective during the year ended June 30, 2016 as discussed in Note 2I to the financial statements:

Statement No. 72 – Fair Value Measurement and Application

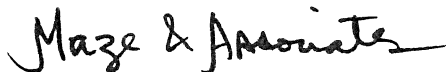
As discussed in Note 2H, the District restated the beginning balance of net position of the governmental activities, in the amount of \$990,787, relating to implementation of GASB 68 as of June 30, 2015.

The emphasis of these matters do not constitute a modification to our opinion.

Other Matters

Required Supplementary Information

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



Pleasant Hill, California
October 28, 2016

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

This discussion reflects the District's present and future programs for the fiscal year beginning July 1, 2015 and ending June 30, 2016 and offers its readers a narrative overview and analysis of the financial activities of the District.

FINANCIAL HIGHLIGHTS JULY 1, 2015—JUNE 30, 2016

- The District's operating fund cash balance (with the County of Marin) at the beginning of the fiscal year was \$6,406,157 and \$7,374,866 at the end of the fiscal year.
- The District's capital improvement fund cash balance (with the County of Marin) at the beginning of the fiscal year was \$3,034,514 and \$3,071,156 at the end of the fiscal year.
- The District's emergency mosquito control fund cash balance (with the County of Marin) at the beginning of the fiscal year was \$1,156,163 and \$1,158,642 at the end of the fiscal year.
- The District had general revenues and charges for services of \$8,741,837 and program expenses of \$8,584,599. The District's net position was increased by \$157,238 as revenues slightly exceeded expenses by this amount.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

REPORTING ENTITY

The Marin/Sonoma Mosquito Abatement District was formed in May of 1915 and later became a California Special District. The District is empowered under the California Health and Safety Code to take all necessary steps to abate mosquitoes and other vectors, such as rats and yellow jackets. The District also provides robust public outreach and an Education Program within the Marin and Sonoma County school systems. The District is governed by a twenty four (24) member appointed Board of Trustees that represents both counties and each City or Town. As of June 30, 2016, there were four vacant seats, Sausalito, Cloverdale, Larkspur and San Anselmo. The District covers 2300 sq. miles and has a payroll of 31 regular, full-time employees.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities include all of the financial activities of the District, including long-term items such as capital assets.

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

Marin-Sonoma Mosquito and Vector Control District

REVENUE AND EXPENSES

	<u>FY 2014/15</u>	<u>FY 2015/16</u>	<u>% CHANGE</u>
GENERAL REVENUE:			
Taxes and Assessments	\$ 7,966,350	\$ 8,311,314	4.33%
Use of Money and Property	24,313	41,424	70.38%
Other Revenues	406,245	182,889	-54.98%
TOTAL GENERAL REVENUE	<u>\$ 8,396,908</u>	<u>\$ 8,535,627</u>	1.65%
TOTAL PROGRAM REVENUE	<u>\$ 115,166</u>	<u>\$ 206,210</u>	79.05%
EXPENSES	<u>\$ 9,652,593</u>	<u>\$ 8,584,599</u>	-11.06%

The District has two revenue components: Ad valorem taxes and the two Benefit Assessments. The District has experienced an increase in assessments and property tax revenue of 4.33%. Also, use of money and property (investment income) rose by 70.38% over the prior year. Other Revenues include reimbursement for miscellaneous work performed by the District throughout the year, insurance refunds/reimbursements, miscellaneous reimbursements and sale of equipment. Program revenue consists of contract work performed by the District and the amount received is variable from year to year.

FUND FINANCIAL STATEMENTS

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

MAJOR FUNDS

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

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

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

NET POSITION

	<u>FY 2014/15</u>	<u>FY 2015/16</u>	<u>% CHANGE</u>
TOTAL ASSETS	<u>\$ 18,321,390</u>	<u>\$ 19,472,738</u>	6.28%
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,961,275</u>	<u>2,127,351</u>	8.47%
TOTAL LIABILITIES	<u>9,964,755</u>	<u>11,837,441</u>	18.79%
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,695,089</u>	<u>982,589</u>	-42.03%
NET POSITION:			
Net Investment in Capital Assets	<u>6,159,999</u>	<u>5,976,063</u>	-2.99%
Unrestricted	<u>2,462,822</u>	<u>2,803,996</u>	13.85%
TOTAL NET POSITION	<u>\$ 8,622,821</u>	<u>\$ 8,780,059</u>	<u>1.82%</u>

The District's net position increased in fiscal year 2015/16 by \$157,238.

Total Liabilities increased 18.79% in FY 2015/16. This reflects unpaid employee vacation and compensatory hours. Also calculated in this category are the other postemployment benefits (retiree health care).

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

The projected Budget for the 2016-17 Fiscal Year, as amended, is \$8,417,958 with projected Revenues of \$8,434,682. The budget is balanced with a small return of \$16,724 to reserves as a result of an amendment to the budget approved by the Board in October 2016. \$143,236 was allocated for Capital Replacement items. For fiscal year 2016/17 the District's benefit assessments were increased as follows: Benefit Assessment (BA) #1 remained flat at \$12.00 per/parcel, BA #2 (Marin County and Zone A) to \$24.76 per/parcel and Zone B to \$23.69 per/parcel. The ad valorem tax collections were forecast to increase by 6% for Marin County and 3% for Sonoma County.

The following factors were considered in preparing the District's Budget for the fiscal year 2016/17:

- An increase of 2.7% in Benefit Assessment #2 and an increase of 4.65% in the ad valorem taxes were predicted. The combined increase in revenue from both ad valorem taxes and benefit assessments was forecast to be 3.68% greater than for the prior fiscal year.
- Although higher than last year, the total amount of interest earned on monies invested is forecast to remain low.
- Salaries and benefits were forecast to increase by 2.04% over the prior year. This was based on continuation of the terms of the memorandum of understanding (MOU) with the employee group. Known changes in benefit costs were applied and estimates made based on historical trends for those costs that were not yet available. Negotiations for successor MOUs with the represented employees were completed and these took effect on August 1, 2014. The MOUs incorporated financial contributions to benefit plans by the employees and specified cost of living increases below historical inflation trends. Among other changes, a cost-saving lower tier of benefits was established for employees hired on or after the adoption of the MOUs.
- The level of expenditures on capital items was reduced compared to the prior budget year with no purchases of replacement vehicles planned.

- To cope with costs that are rising faster than the rate of revenue increases, operating expenditures including travel, advertising, services and supplies were kept to a bare minimum wherever possible. As a result, total expenditures were forecast to increase by only .27% compared with FY 2015/16.
- Ten-year financial forecasts prepared for a Strategic and Financial Planning Workshop held in December 2013 highlighted the need to secure additional revenues in order to maintain services and operations at their current level. After studying various alternatives, the District opted to test the feasibility of a new assessment that would “overlay” the two existing assessment districts. An amount of \$415,525 was allocated for the entire project. Unfortunately, this funding measure failed to pass.
- The drought conditions affecting the region were forecast to abate, so a moderate level of West Nile virus was anticipated. The District will continue its participation in the State’s dead bird program.
- Continued tick-borne disease surveillance and associated public outreach efforts.
- The final phase of the programmatic environmental impact report to update the District’s CEQA documentation was anticipated during FY 2015/16.
- Continuing the District’s plan to phase-in annual payment of the full annual required cost for Other Post-Employment Benefits (OPEB) over nine years, a budgetary allocation of \$378,028 was provided, representing the third year of deposits into the prefunding trust fund account established with the California Employees’ Retiree Benefit Trust (CERBT). This amount is in addition to the usual pay as you go expenditures.

FUTURE EVENTS THAT WILL FINANCIALLY IMPACT THE DISTRICT

- In the wake of the majority protest of the District’s 2015 proposed new benefit measure, the District’s budgets are very constrained. Financial forecasts show that within two or three years, the District will face an accelerating funding shortfall that will result in annual structural deficits. To some extent, recent robust growth in ad valorem revenues has offset the flat revenue from Benefit Assessment #1, which supplies 88% of the benefit assessment revenue, but this factor alone will be insufficient to meet long-term funding needs.
- Demand for services is increasing rapidly year by year, straining the District’s operational capacities at a time when three staff positions are being held vacant to deal with the budgetary concerns noted above.
- The need to continue making successively larger prefunding contributions each year to address the District’s OPEB obligations. The District’s most recent valuation of its unfunded OPEB liabilities showed a decrease from a little over \$9.7M at the prior valuation to slightly over \$9.1M now, with a corresponding decrease in the projected annual required cost (ARC). Factors driving the decrease include the currently reduced staffing numbers, the increased assets under management now invested at CERBT, and the impact of the defined contribution plan applicable to new employees hired after the signing of the 2014 MOU.
- Invasive *Aedes aegypti* and *albopictus* mosquitoes have become firmly established in certain areas of the state, notably as close as Madera. Although surveillance to-date has not detected these mosquitoes in the District’s service area, it is possible that they may spread here in the future. Other Districts experience has been that substantial additional staffing, equipment, and supplies would be needed to contain and attempt to eradicate such an infestation. Although the District maintains an emergency reserve of approximately \$1M to deal with a vector-borne disease emergency, in the event of a local invasive *Aedes* infestation, this amount would be depleted rapidly.

- A 2016 study conducted by Municipal Resource Group (MRG) examined the future costs associated with District's capital equipment and facility replacement needs for the next twenty years. The study concluded that the District should annually set aside considerably more funds than it has been doing for replacement of capital items such as vehicles, equipment and facility maintenance. Based on input from trustees and staff, MRG modified the study to maintain the existing balance of \$3.0M in the Capital Replacement Fund, and showed an annual average recommended fund contribution of approximately \$300,000, which is approximately twice the recent average annual spending on capital replacement items.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments (Note 3)	\$11,634,371
Deposits held by VCJPA (Notes 3 and 8)	548,439
Accounts receivable	710,384
Property taxes receivable	333,156
Inventory (Note 2E)	270,325
	13,496,675
Capital assets (Note 4):	
Nondepreciable:	
Land	675,000
Depreciable:	
Structures and improvements	6,674,176
Office equipment	589,877
Office furniture	47,879
Field equipment	274,400
Vehicles	2,271,199
Less: Accumulated depreciation	(4,556,468)
	5,976,063
Total capital assets, net	5,976,063
Total assets	19,472,738
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related (Note 6B)	2,127,351
LIABILITIES	
Current liabilities:	
Accounts payable	8,972
Compensated absences (Note 2F)	200,652
	209,624
Non-current liabilities:	
Compensated absences (Note 2F)	245,242
Net OPEB obligation (Note 7)	7,247,235
Collective net pension liability (Note 6B)	4,135,340
	11,627,817
Total non-current liabilities	11,627,817
Total liabilities	11,837,441
DEFERRED INFLOWS OF RESOURCES	
Pension related (Note 6B)	982,589
NET POSITION (Note 5)	
Net investment in capital assets	5,976,063
Unrestricted	2,803,996
	\$8,780,059

See accompanying notes to financial statements

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Change in Net Position
Governmental Activities:			
Public Health	(\$8,584,599)	\$206,210	(\$8,378,389)
Total Governmental Activities	<u>(\$8,584,599)</u>	<u>\$206,210</u>	<u>(8,378,389)</u>
General revenues:			
Taxes and assessments			8,311,314
Use of money and property			41,424
Other revenues			<u>182,889</u>
Total general revenues			<u>8,535,627</u>
Change in Net Position			157,238
Net Position - Beginning			7,632,034
Restatement (Note 2H)			<u>990,787</u>
Net Position - Ending			<u><u>\$8,780,059</u></u>

See accompanying notes to financial statements

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016

	General Fund	Capital Replacement Fund	Totals
ASSETS			
Cash and investments (Note 3)	\$8,563,215	\$3,071,156	\$11,634,371
Deposits with VCJPA (Notes 3 and 8)	548,439		548,439
Accounts receivable	710,384		710,384
Property taxes receivable	333,156		333,156
Inventory (Note 2E)	270,325		270,325
Total Assets	\$10,425,519	\$3,071,156	\$13,496,675
LIABILITIES			
Accounts payable	\$8,972		\$8,972
Total Liabilities	8,972		8,972
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - accounts receivable	581,932		581,932
Total Deferred Inflows of Resources	581,932		581,932
FUND BALANCES (Note 5)			
Nonspendable: deposits	548,439		548,439
Nonspendable: inventory	270,325		270,325
Committed for dry period funding	3,200,000		3,200,000
Assigned for future capital replacements		\$3,071,156	3,071,156
Unassigned	5,815,851		5,815,851
Total Fund Balances	9,834,615	3,071,156	12,905,771
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$10,425,519	\$3,071,156	\$13,496,675

See accompanying notes to financial statements

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
 Reconciliation of the
 GOVERNMENTAL FUNDS -- BALANCE SHEET
 with the
 STATEMENT OF NET POSITION
 JUNE 30, 2016

FUND BALANCE OF GOVERNMENTAL FUNDS \$12,905,771

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

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

Capital assets at historical cost	\$10,532,531	
Less: accumulated depreciation	<u>(4,556,468)</u>	5,976,063

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

Unearned revenue	581,932	
Compensated absences payable	(445,894)	
Other postemployment benefits payable	(7,247,235)	
Deferred outflows related to pension	2,127,351	
Net pension liability	(4,135,340)	
Deferred inflows related to pension	<u>(982,589)</u>	<u>(10,101,775)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$8,780,059

See accompanying notes to financial statements

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Capital Replacement Fund	Totals
REVENUES:			
Taxes and assessments	\$8,311,314		\$8,311,314
Use of money and property	34,893	\$6,531	41,424
Other revenues	286,009		286,009
Total Revenues	8,632,216	6,531	8,638,747
EXPENDITURES:			
Current:			
Salaries and benefits	5,105,000		5,105,000
General and administrative	2,167,356		2,167,356
Capital outlay		134,197	134,197
Total expenditures	7,272,356	134,197	7,406,553
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,359,860	(127,666)	1,232,194
OTHER FINANCING SOURCES (USES)			
Transfers in		164,308	164,308
Transfers (out)	(164,308)		(164,308)
Total other financing sources (uses)	(164,308)	164,308	
NET CHANGE IN FUND BALANCES	1,195,552	36,642	1,232,194
BEGINNING FUND BALANCES	8,639,063	3,034,514	11,673,577
ENDING FUND BALANCES	\$9,834,615	\$3,071,156	\$12,905,771

See accompanying notes to financial statements

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2016

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

NET CHANGE IN FUND BALANCES	\$1,232,194
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

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

Capital outlay expenditures are added back to fund balance	\$134,197	
Depreciation expense is not reportable in the governmental fund	<u>(318,133)</u>	(183,936)

Net Pension Liability Transactions

Governmental funds record pension expense as it is paid. However, in the Statement of Activities those costs are reversed as deferred outflows/(inflows) and an increase/(decrease) in net pension liability.	121,632
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Other postemployment benefits payable is not a current liability, and therefore, is not recorded in the governmental fund statements. This amount represents the amount of the change in the payable in the current period.	(1,078,797)
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The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources, and therefore, are not reported as revenue or expenditures in governmental fund statements. The net changes are as follows:

Unearned revenue	103,090
Compensated absences	<u>(36,945)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$157,238</u></u>
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See accompanying notes to financial statements

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes and assessments:				
Assessments	\$3,139,158	\$3,139,158	\$3,141,801	\$2,643
Current secured	3,871,857	3,871,857	4,213,931	342,074
Current unsecured	93,584	93,584	113,064	19,480
Prior unsecured	2,698	2,698	3,652	954
Homeowners' property tax relief	30,448	30,448	28,940	(1,508)
Annexation revenue	798,708	798,708	789,696	(9,012)
Supplemental assessments	63,671	63,671	20,003	(43,668)
Other aid			227	227
Total taxes and assessments	8,000,124	8,000,124	8,311,314	311,190
Use of money and property:				
Interest income	27,190	27,190	34,893	7,703
Other revenues:				
Contract work	200,000	200,000	206,210	6,210
Refunds and reimbursements			79,799	79,799
Total other revenues	200,000	200,000	286,009	86,009
Total Revenues	8,227,314	8,227,314	8,632,216	404,902
EXPENDITURES				
Current:				
Employees' compensation				
Salaries and compensated absences	3,221,700	3,221,700	3,058,478	163,222
Employee benefits	2,244,473	2,244,473	2,046,522	197,951
Total employees' compensation	5,466,173	5,466,173	5,105,000	361,173
Total expenditures forward	5,466,173	5,466,173	5,105,000	361,173

(Continued)

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
Current:				
Total forward	\$5,466,173	\$5,466,173	\$5,105,000	\$361,173
General and administrative:				
Agriculture	791,425	791,425	532,329	259,096
Pest abatement supplies	17,500	17,500	9,174	8,326
Spray/field equipment	11,250	11,250	6,812	4,438
Source reduction equipment	19,250	19,250	5,173	14,077
Furniture, appliances and equipment	2,500	2,500	1,239	1,261
Clothing and personal supplies	30,900	30,900	24,884	6,016
Safety equipment	12,375	12,375	5,271	7,104
Communications	32,660	32,660	32,828	(168)
Food	3,750	3,750	3,085	665
District special expense	232,150	232,150	296,329	(64,179)
Household expense	7,800	7,800	5,166	2,634
Insurance	292,021	292,021	305,980	(13,959)
Accidents			1,439	(1,439)
Maintenance - equipment	90,300	90,300	84,006	6,294
Maintenance - ground/structures	16,350	16,350	13,955	2,395
Lab	16,300	16,300	9,772	6,528
Fish supplies	8,750	8,750	2,318	6,432
Disease surveillance	18,700	18,700	15,935	2,765
Memberships	35,630	35,630	35,993	(363)
Office expense	32,975	32,975	18,433	14,542
Professional and special services	651,110	651,110	479,038	172,072
Publications and legal notices	98,300	98,300	105,134	(6,834)
Rents and leases	9,944	9,944	8,228	1,716
Small tools and instruments	5,200	5,200	3,546	1,654
Minor construction/improvements	28,050	28,050	13,240	14,810
Education/public relations and printing	10,250	10,250	31,658	(21,408)
Education and training for employees	10,650	10,650	8,055	2,595
Travel and transportation	21,300	21,300	11,587	9,713
Fuel and oil	121,500	121,500	75,862	45,638
Utilities	27,950	27,950	20,887	7,063
Total general and administrative	2,656,840	2,656,840	2,167,356	489,484
Total expenditures	8,123,013	8,123,013	7,272,356	850,657

(Continued)

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2016

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers in (out)			(\$164,308)	(\$164,308)
Total other financing sources (uses)			(164,308)	(164,308)
NET CHANGE IN FUND BALANCE	\$104,301	\$104,301	1,195,552	\$1,091,251
BEGINNING FUND BALANCE			8,639,063	
ENDING FUND BALANCE			\$9,834,615	

See accompanying notes to financial statements

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 1 - GENERAL

Formed in 1915, the Marin/Sonoma Mosquito and Vector Control District (District) is a California Special District empowered to take all necessary steps for the abatement of mosquito and other vectors such as yellow jackets and rats. The District is also empowered to abate as nuisances all standing water that produces mosquitoes. A twenty-four (24) member appointed Board of Trustees governs the District. As of June 30, 2016, there were four vacant seats.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. *Basis of Presentation*

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

These Statements require that the following financial statements be presented:

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

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

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

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

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

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting

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

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

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

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

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

C. Property Taxes

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

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

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

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

D. Budgets and Budgetary Accounting

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

E. Inventory

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

F. Compensated Absences

Accumulated unpaid employee vacation and compensated hours, are recognized as liabilities of the District to the extent they vest. Sick leave has also been included as employees receive 50% of their accumulated sick leave upon termination of employment. The liability is recorded in the Statement of Net Position. The General Fund has been used to liquidate compensated absences. At June 30, 2016, the balance of compensated absences was \$445,894, of which \$200,652 was estimated to be the current portion.

G. Use of Estimates

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

H. Restatement

The District implemented GASB Statements No. 68 and 71 in fiscal year 2015. As part of the implementation, various deferred outflows and inflows were recorded due to assumption changes from the actuarial valuation report.

During fiscal year 2016, the District found an error was made in recording its deferred inflows and outflows in the previous year. Two amounts were not recorded a deferred outflow due to changes in assumptions of \$1,104,692 and a deferred inflow due to changes in proportion of \$113,905, resulting in a net increase to net position of \$990,787.

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Implementation of Governmental Accounting Standards Board (GASB) Pronouncements

The following GASB pronouncements were effective for fiscal year ended June 30, 2016:

GASB Statement No. 72 - The intention of this Statement is to enhance the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. It also enhances fair value application guidance and related disclosures. See Note 2J and 3B for impacts to the District's financial Statements.

GASB Statement No. 76 - The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55. This Statement did not have a material impact on the financial statements for the fiscal year 2016.

GASB Statement No. 79 - This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement did not have a material impact on the financial statements for the fiscal year 2016.

J. Fair Value Measurements

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

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

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

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

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

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 3 - CASH AND INVESTMENTS

A. Policies and Classification

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

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

The District's cash and investments consist of the following at June 30, 2016:

Cash on hand	\$350
Deposits with financial institutions	29,357
County of Marin Treasury	11,604,664
Sub-total:	11,634,371
Deposits with VCJPA	548,439
Total cash and investments	\$12,182,810

B. Permitted Investments

The District has authorized staff to deposit cash with the Marin County Treasurer in a series of pooled accounts with cash from various other governmental entities within the County, for investment purposes. The County's investment policies are governed by State statutes. In addition, the County has an investment committee, which prescribes written investment policies regarding the types of investments that may be made. The policies limit amounts that may be invested in any one financial institution or amounts, which may be invested in long-term instruments. Interest earned from such time deposits and investments is allocated quarterly to the District based on its average daily cash balances. The fair value of the account at June 30, 2016 was provided by the County Treasurer.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund	N/A	None	\$50 million
Certificates of Deposit	None	None	None
Money Market Funds	N/A	None	None
U.S. Government Securities	None	None	None
County Cash Pool	None	None	None

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 3 - CASH AND INVESTMENTS (Continued)

C. Fair Value Hierarchy

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

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

NOTE 4 – CAPITAL ASSETS

Purchased capital assets are stated at historical cost or estimated historical cost when original cost is not available. Donated capital assets are recorded at their estimated fair value at the date of donation. The District's policy is to capitalize all capital assets with costs exceeding a minimum threshold of \$500. Depreciation is recorded using the straight-line method over the estimated useful lives of capital assets which range from 20 to 50 years for structures and improvements, 3 to 40 years for office equipment, 3 to 20 years for office furniture, 10 to 20 years for field equipment, and 5 to 15 years for vehicles.

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016
Capital assets not being depreciated:				
Land	\$675,000			\$675,000
Total capital assets not being depreciated	675,000			675,000
Capital assets being depreciated:				
Structures and improvements	6,674,176			6,674,176
Office equipment	589,038	\$20,581	(\$19,742)	589,877
Office furniture	47,879			47,879
Field equipment	276,020		(1,620)	274,400
Vehicles	2,157,583	113,616		2,271,199
Total capital assets being depreciated	9,744,696	134,197	(21,362)	9,857,531
Accumulated depreciation:				
Structures and improvements	(1,908,289)	(153,533)		(2,061,822)
Office equipment	(330,733)	(12,919)	19,742	(323,910)
Office furniture	(49,509)	(441)		(49,950)
Field equipment	(245,397)	(29,688)	1,620	(273,465)
Vehicles	(1,725,769)	(121,552)		(1,847,321)
Total accumulated depreciation	(4,259,697)	(318,133)	21,362	(4,556,468)
Total capital assets, being depreciated, net	5,484,999	(\$183,936)		5,301,063
Capital assets, net	\$6,159,999			\$5,976,063

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 5 – NET POSITION AND FUND BALANCES

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

A. *Net Position*

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

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

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. The District had no Restricted Net Position as of June 30, 2016.

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

B. *Fund Balance*

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

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

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

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

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 5 – FUND BALANCES AND NET ASSETS (Continued)

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

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

NOTE 6 – PENSION PLANS

A. General Information about the Pension Plans

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

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

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

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

	Miscellaneous	
	Tier 1 - Classic Prior to January 1, 2013	Tier 2 - PEPR On or after January 1, 2013
Hire date		
Benefit formula	2% @ 55.5	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50	52
Monthly benefits, as a % of eligible compensation	100%	100%
Required employee contribution rates	7.83% - 13.71%	8.31%
Required employer contribution rates	34.04%	27.41%

**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016**

NOTE 6 – PENSION PLANS (Continued)

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

For the year ended June 30, 2016, the contributions recognized as part of pension expense for the Plans were as follows:

	Miscellaneous
Contributions - employer	\$968,417

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$4,135,340
Total Net Pension Liability	\$4,135,340

The District’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District’s proportionate share of the net pension liability for each Plan as of June 30, 2014 and 2015 was as follows:

	Miscellaneous
Proportion - June 30, 2014	1.3670%
Proportion - June 30, 2015	1.0675%
Change - Increase (Decrease)	-0.2995%

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 6 – PENSION PLANS (Continued)

For the year ended June 30, 2016, the District recognized pension expense of \$869,155. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$968,417	
Differences between actual and expected experience		
Changes in assumptions	1,158,934	
Changes in proportion and difference between District contributions and proportionate share of contributions		\$248,628
Net differences between projected and actual earnings on plan investments		733,961
	\$2,127,351	\$982,589
Total		

\$968,417 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

	Year Ended
	June 30
	2017
(\$44,086)	
	2018
(44,086)	
	2019
(44,086)	
	2020
(44,087)	

Actuarial Assumptions – The total pension liability as of June 30, 2015 was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions applied to all prior periods included in the measurement. The key assumptions in the valuation were:

	Miscellaneous
Valuation Date	June 30, 2015
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Inflation	3.25%
Projected Salary Increase	3.25% plus merit component based on employee classification and years of service
Cost of Living Adjustments	3.25%
Investment Rate of Return	7.25%
Post Retirement COLA	Assumed at the rate of 2.7% for members with a 4% COLA cap, 2.6% for members with a 3% COLA cap, and 1.9% for members with a 2% COLA cap
Mortality	CalPERS 2014 Pre-Retirement Non-Industrial Death rates (plus Duty-Related Death rates for Safety Members), with the 20-year static projection used by CalPERS replaced by generational improvements from a base year of 2009 using Scale MP-2014

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 6 – PENSION PLANS (Continued)

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

We have assumed that the employees will continue to contribute to the Plan at the required rates and the employers will continue the historical and legally required practice of contributing to the Plan based on an actuarially determined contribution, reflecting a payment equal to annual Normal Cost, a portion of the expected Administrative Expenses, an amortization payment for the extraordinary losses from 2009 amortized over a closed period (24 years remaining as of the June 30, 2014 actuarial valuation) and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level percentage of payroll over a closed period (16 years remaining as of the June 30, 2014 actuarial valuation).

The MCERA Board of Retirement has adopted an Investment Policy Statement (IPS), which provides the framework for the management of MCERA’s investments. The IPS establishes MCERA’s investment objectives and defines the principal duties of the Retirement Board, the custodian bank, and the investment managers. The asset allocation plan is an integral part of the IPS and is designed to provide an optimum and diversified mix of asset classes with return expectations to satisfy expected liabilities while minimizing risk exposure. MCERA currently employs external investment managers to manage its assets subject to the provisions of the policy. Plan assets are managed on a total return basis with a long term objective of achieving and maintaining a fully funded status for the benefits provided through the Plan. The following was the Retirement Board’s adopted asset allocation policy as of June 30, 2016:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	32%	5.35%
International Equity	22%	5.55%
Fixed Income	23%	0.75%
Real Estate	15%	7.55%
Private Equity	8%	6.25%
Total	<u>100%</u>	

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The discount rate used to measure the Total Pension Liability was 7.25%. Related to the discount rate is the funding assumption that employees will continue to contribute to the plan at the required rates and employers will continue the historical and legally required practice of contributing to the plan based on an actuarially determined contribution, reflecting a payment equal to annual normal cost, a portion of the expected administrative expenses, an amortization payment for the extraordinary losses from 2009 amortized over a closed period (24 years remaining as of the June 30, 2014 actuarial valuation) and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level percentage of payroll over a closed period (16 years remaining as of the June 30, 2014 actuarial valuation).

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 6 – PENSION PLANS (Continued)

A change in the discount rate would affect the measurement of the TPL. A lower discount rate results in a higher TPL and higher discount rates results in a lower TPL. Because the discount rate does not affect the measurement of assets, the percentage change in the NPL can be very significant for a relatively small change in the discount rate. A one percent decrease in the discount rate increases the TPL by approximately 13% and increases the NPL by approximately 85%. A one percent increase in the discount rate decreases the TPL by approximately 11% and decreases the NPL by approximately 70%.

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

Description	1% Decrease 6.25%	Discount Rate 7.25%	1% Increase 8.25%
Total Pension Liability	\$29,887,391	\$26,359,459	\$23,462,334
Fiduciary Net Position	22,224,119	22,224,119	22,224,119
Net Pension Liability	<u>\$7,663,272</u>	<u>\$4,135,340</u>	<u>\$1,238,215</u>
 Fiduciary Net Position as a Percentage of the Total Pension Liability	 74.4%	 84.3%	 94.7%

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

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS

The provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, establishes uniform financial reporting standards for employers providing postemployment benefits other than pensions (OPEB). Required disclosures are presented below.

A. Plan Description and Funding Policy

The District provides post-employment medical benefits to retirees and retirees’ spouses (for employees hired prior to July 1, 2009) as long as the retiree had 10 years of service vested with the District and had reached age 50. Employees hired on or after July 1, 2009 will receive benefits for themselves only as long as the retiree had 10 years of service vested with the District and had reached age 50. Participants are required to have continuity of medical coverage upon retirement in order to receive these medical benefits. As of June 30, 2016, 26 retirees and/or retiree spouses were receiving benefits.

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

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a July 1, 2013 actuarial valuation using the projected unit credit actuarial entry age normal cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 4.0% investment rate of return (based on a pay-as-you-go funding plan), (b) 3.25% projected annual salary increase, and (c) health care cost trend rates from 5.25% to 7.50% of medical benefits. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least tri-annually as results are compared to past expectations and new estimates are made about the future. The District's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 26 year amortization period.

C. Funding Progress and Funded Status

Generally accepted accounting principles permits contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. As of July 1, 2013, the most recent actuarial valuation date, the plan was zero percent funded. During the fiscal year ended June 30, 2016, the District contributed \$368,203 to the Plan. As a result the District has recorded a Net OPEB Obligation, representing the difference between the ARC and the actual contributions, as presented below.

The District's Net OPEB Obligation (NOO) is recorded in the Statement of Net Position and is calculated as follows:

Annual required contribution (ARC)	\$1,542,000
Interest on Net OPEB Obligation	249,000
Adjustments to ARC	<u>(293,000)</u>
Annual OPEB cost	<u>1,498,000</u>
Contributions made:	
Current year premiums	199,203
Implicit rate subsidy	51,000
Trust pre-funding	<u>169,000</u>
Total contributions	<u>419,203</u>
Increase in net OPEB Obligation	1,078,797
Net OPEB Obligation at June 30, 2015	<u>6,168,438</u>
Net OPEB Obligation at June 30, 2016	<u><u>\$7,247,235</u></u>

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Generally accepted accounting principles permit assets to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such assets are placed in an irrevocable trust or equivalent arrangement. On July 20, 2014, the Board adopted a resolution of agreement and election to Prefund OPEB through the California Employers’ Retiree Benefit Trust (CERBT) Program, administered by CalPERS. The District has contributed \$169,000 to the trust as of June 30, 2016.

The Plan’s annual required contributions and actual contributions for the last three fiscal years are set forth below:

Fiscal Year	Annual OPEB Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
June 30, 2014	\$1,345,000	\$141,218	10%	\$5,110,998
June 30, 2015	1,420,000	362,560	26%	6,168,438
June 30, 2016	1,498,000	419,203	28%	7,247,235

The Schedule of Funding Progress below and the required supplementary information immediately following the notes to the financial statements presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the July 1, 2013 actuarial study is presented below:

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability (A)	Actuarial Value of Assets (B)	Unfunded Actuarial Accrued Liability (A – B)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded Actuarial Liability as Percentage of Covered Payroll [(A – B)/C]
7/1/2013	\$15,038,000	\$0	\$15,038,000	0.00%	\$3,196,000	470.5%

D. *Deferred Compensation Plan*

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

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

NOTE 8 – RISK MANAGEMENT

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

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

The following is a summary of the insurance policies in force carried by the Authority as of June 30, 2016:

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

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

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

NOTE 8 – RISK MANAGEMENT (Continued)

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

In accordance with GASB 10, the District has recorded its deposit with VCJPA as an asset at June 30, 2016. The District had no claims losses outstanding at June 30, 2016. Settled claims for the District have not exceeded coverage in any of the past three years.

The District has reserves of \$548,439 on deposit with VCJPA for member contingencies to cover the District’s self-insured retentions (SIR) for two claims in each type of coverage. The VCJPA has also purchased insurance to cover catastrophic losses.

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

REQUIRED SUPPLEMENTARY INFORMATION

MARIN/SONOMA MOSQUITO & VECTOR CONTROL DISTRICT

As of fiscal year ending June 30, 2016

Last 10 Years*

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

	<u>2016</u>	<u>2015</u>
Total Pension Liability		
Service Cost	\$523,763	\$670,033
Interest (includes interest on service cost)	1,779,723	2,180,665
Changes in assumptions	1,545,245	-
Changes in benefits	-	-
Differences between expected and actual experience	(331,505)	-
Benefit payments, including refunds of employee contributions	<u>(1,238,137)</u>	<u>(1,494,718)</u>
Net change in total pension liability	2,279,089	1,355,981
Total pension liability - beginning	<u>30,836,407</u>	<u>29,480,426</u>
Total pension liability - ending (a)	<u>\$33,115,496</u>	<u>\$30,836,407</u>
Plan fiduciary net position		
Contributions - employer	\$777,859	\$1,017,004
Contributions - employee	223,836	253,389
Net investment income	1,068,093	4,224,064
Benefit payments, including refunds of employee contributions	(1,238,137)	(1,494,717)
Administrative Expense	<u>(49,688)</u>	<u>(61,568)</u>
Net change in plan fiduciary net position	781,963	3,938,172
Plan fiduciary net position - beginning	<u>27,458,012</u>	<u>23,519,840</u>
Plan fiduciary net position - ending (b)	<u>\$28,239,975</u>	<u>\$27,458,012</u>
Net pension liability - ending (a)-(b)	<u><u>\$4,875,521</u></u>	<u><u>\$3,378,396</u></u>
Plan fiduciary net position as a percentage of the total pension liability	85.28%	89.04%
Covered - employee payroll	\$2,389,341	\$2,984,718
Net pension liability as percentage of covered-employee payroll	204.05%	113.19%

*Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

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

	Fiscal Year 2015 - 2016	Fiscal Year 2014 - 2015
Actuarially determined contribution	\$777,859	\$1,012,629
Contributions in relation to the actuarially determined contributions	777,859	1,012,629
Contribution deficiency (excess)	\$0	\$0
Covered-employee payroll	\$2,389,341	\$2,984,718
Contributions as a percentage of covered-employee payroll	32.56%	33.93%

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

MARIN/SONOMA MOSQUITO & VECTOR CONTROL DISTRICT
Other Post Employment Benefits
As of fiscal year ending June 30, 2016
SCHEDULE OF FUNDING PROGRESS - LAST TWO VALUATIONS

Actuarial Valuation Date	Entry Age Actuarial Accrued Liability (A)	Actuarial Value of Assets (B)	Unfunded Actuarial Accrued Liability (A - B)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded Actuarial Liability as Percentage of Covered Payroll [(A - B)/C]
7/1/2010	\$12,030,407	\$0	\$12,030,407	0.00%	\$2,684,455	448.2%
7/1/2013	15,038,000	0	15,038,000	0.00%	3,196,000	470.5%

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

**MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS**

FOR THE YEAR ENDED JUNE 30, 2016

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

For the Year Ended June 30, 2016

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MEMORANDUM ON INTERNAL CONTROL

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

In planning and performing our audit of the financial statements of the District as of and for the year ended June 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

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

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

A handwritten signature in black ink that reads 'Maze & Associates' in a cursive, script font.

Pleasant Hill, California
October 28, 2016

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MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
MEMORANDUM ON INTERNAL CONTROL
SCHEDULE OF OTHER MATTERS
FOR THE YEAR ENDED JUNE 30, 2016

2016-01: UPCOMING GASB

There are a number of new accounting and financial reporting pronouncements that have been issued by the Governmental Accounting Standards Board, the authoritative standard setting body in the United States. We have included the ones that will be effective in fiscal year ending June 30, 2017, to keep you informed about these developments on a proactive basis.

GASB 73 - Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes.

The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions, with modifications as necessary to reflect that for accounting and financial reporting purposes, any assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet the criteria specified in Statement 68 should not be considered pension plan assets. It also requires that information similar to that required by Statement 68 be included in notes to financial statements and required supplementary information by all similarly situated employers and nonemployer contributing entities.

This Statement also clarifies the application of certain provisions of Statements 67 and 68 with regard to the following issues:

1. Information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported
2. Accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions
3. Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

**MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
MEMORANDUM ON INTERNAL CONTROL
SCHEDULE OF OTHER MATTERS
FOR THE YEAR ENDED JUNE 30, 2016**

GASB 74 – *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*

The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

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

GASB 77 – *Tax Abatement Disclosures*

This Statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
- The gross dollar amount of taxes abated during the period
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

Governments should organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
MEMORANDUM ON INTERNAL CONTROL
SCHEDULE OF OTHER MATTERS
FOR THE YEAR ENDED JUNE 30, 2016

Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. Governments may disclose information for individual tax abatement agreements of other governments within the specific tax being abated. For those tax abatement agreements, a reporting government should disclose:

- The names of the governments that entered into the agreements
- The specific taxes being abated
- The gross dollar amount of taxes abated during the period.

GASB 78 – Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans

The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

GASB 80 – Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14

The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

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REQUIRED COMMUNICATIONS

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

We have audited the basic financial statements of the Marin/Sonoma Mosquito and Vector Control District (District) for the year ended June 30, 2016. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards.

Significant Audit Findings

Accounting Policies

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

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

GASB Statement No. 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

GASB Statement No. 79 – Certain External Investment Pools and Pool Participants

The following pronouncement became effective and is disclosed in Notes 2J and 3C to the financial statements.

GASB Statements No. 72 – Fair Value Measurement and Application

Unusual Transactions, Controversial or Emerging Areas

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

Accounting Estimates

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

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

Estimated Fair Value of Investments: As of June 30, 2016, the District held approximately \$11.6 million of cash and investments as measured by fair value as disclosed in Note 3 to the financial statements. Fair value is essentially market pricing in effect as of June 30, 2016. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2016.

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

Estimate of Compensated Absences: Accrued compensated absences which are comprised of accrued vacation, holiday, and certain other compensating time is estimated using accumulated unpaid leave hours and hourly pay rates in effect at the end of the fiscal year as disclosed in Note 1F to the financial statements. We evaluated the key factors and assumptions used to develop the accrued compensated absences and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Disclosures

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all/certain such misstatements.

The District implemented GASB Statements No. 68 and 71 in fiscal year 2015. As part of the implementation, various deferred outflows and inflows were recorded due to assumption changes from the actuarial valuation report.

During fiscal year 2016, the District found an error was made in recording its deferred inflows and outflows in the previous year. Two amounts were not recorded a deferred outflow due to changes in assumptions of \$1,104,692 and a deferred inflow due to changes in proportion of \$113,905, resulting in a net increase to net position of \$990,787.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in a management representation letter dated October 28, 2016.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Information Accompanying the Financial Statements

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

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

Maze & Associates

Pleasant Hill, California
October 28, 2016