MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT

COTATI, CALIFORNIA

BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2015

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MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
BOARD OF TRUSTEES
JUNE 30, 2015

MAZE & ASSOCIATES

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 the governmental activities and each major fund of the Marin/Sonoma Mosquito and Vector Control District as of June 30, 2015, 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.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

Emphasis of a Matter

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2015 and required a prior period adjustment of net position as discussed in Note 6 to the financial statements:

> Statement No. 68 – *Accounting and Financial Reporting for Pensions*
>
> Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date*

The emphasis of this matter does 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.

Maze & Associates

Pleasant Hill, California
October 14, 2015

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

This discussion reflects the District's present and future programs for the fiscal year beginning July 1, 2014 and ending June 30, 2015 and offers its readers a narrative overview and analysis of the financial activities of the District.

FINANCIAL HIGHLIGHTS JULY 1, 2014—JUNE 30, 2015

- The District's operating fund cash balance (with the County of Marin) at the beginning of the fiscal year was $6,288,138 and $6,405,427 at the end of the fiscal year.
- The District's capital replacement fund cash balance (with the County of Marin) at the beginning of the fiscal year was $2,997,076 and $3,034,514 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 $1,154,049 and $1,156,163 at the end of the fiscal year.
- The District had general revenues and charges for services of $8,512,074 and program expenses of $9,652,593. Although as noted above, the District ended the fiscal year with slightly more cash in the bank, the District's net position was reduced by $1,140,519 primarily due to adjustments related to pension (GASB 68) and other post-employment benefits (GASB 45). These changes do not impact the District's general ledger, as these are government-wide full accrual adjustments (using a long-term perspective).
- Mostly due to GASB 68/71 net pension liability reporting requirements, the District's beginning net position was restated by approximately $4.8 million this year. These changes do not impact the District's general ledger, as these are government-wide full accrual adjustments (using a long-term perspective).

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 an Education Program within the Marin and Sonoma County school systems. The District has a twenty four (24) member appointed Board of Trustees that represent both counties and each City or Town. As of June 30, 2015, there were three vacant seats (cities of Sausalito, Cloverdale and Sonoma). The District covers 2300 sq. miles and has a payroll of 36 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, pension and other post-employment benefit activities.

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

	FY 2013/14	FY 2014/15	% CHANGE
GENERAL REVENUE:			
Taxes and Assessments	$ 7,565,200	$ 7,966,350	5.30%
Use of Money and Property	17,485	24,313	39.05%
Other Revenues	205,634	406,245	97.56%
TOTAL GENERAL REVENUE	**$ 7,788,319**	**$ 8,396,908**	**7.81%**
TOTAL PROGRAM REVENUE	**$ 148,094**	**$ 115,166**	**-22.23%**
EXPENSES	**$ 8,860,632**	**$ 9,652,593**	**8.94%**

The District has two revenue components: Ad valorem taxes and the Benefit Assessments. The District has experienced an increase in assessments and property tax revenue of 5.30%. Also, use of money and property (investment income) increased by 39.05%. Other Revenues almost doubled, and includes reimbursements for work performed by the District throughout the year, and insurance refunds/reimbursements reimbursed to the District. Program revenue consists of contract work performed by the District.

Marin-Sonoma Mosquito and Vector Control District

NET POSITION

	FY 2013/14	FY 2014/15	% CHANGE
TOTAL ASSETS	$ 19,169,456	$ 18,321,390	-4.42%
TOTAL DEFERRED OUTFLOWS (Pension contributions made after measurement date)	-	856,583	100.00%
TOTAL LIABILITIES	5,539,076	9,964,755	79.90%
DEFERRED INFLOWS (Pension related to be amortized over the next 4 years)	-	1,581,184	-100.00%
NET POSITION:			
Net Investment in Capital Assets	6,351,040	6,159,999	-3.01%
Restricted for Pension Obligation	1,235,294	-	-100.00%
Unrestricted	6,044,046	1,472,035	-75.64%
TOTAL NET POSITION	**$ 13,630,380**	**$ 7,632,034**	**-44.01%**

For information about the District's capital assets, see Note 4 in the Notes to Basic Financial Statements.

New this year, with the implementation of GASB 68 and 71, the District now reports deferred outflows and inflows of resources related to pension adjustments, as provided by the pension plan's actuary. See Note 6 for more information.

Liabilities increased $4.5 million due to the District reporting its net pension liability of $3.4 million and an increase in the other post-employment benefit liability of $1 million.

The District's Net Position decreased significantly between FY 2013/14 to FY 2014/15 due to a prior period adjustment related to the implementation of GASB 68 and 71, reducing net position by almost $4.9 million, as well as other adjustments related to GASB 68 (pension) and GASB 45 (other post-employment benefits).

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 two funds which are shown as major funds.

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The projected Budget for the 2015-16 Fiscal Year is $8,394,913 with projected Revenues of $8,227,314 with an excess of expenditures over revenue of $167,599 of which $142,900 is for Capital Outlay purchases. For fiscal year 2015-16 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 $22.24 per/parcel and Zone B to $21.27 per/parcel. The ad valorem tax rate increased 2% for growth by each county.

The following factors were considered in preparing the District's Budget for the fiscal year 2015-2016:

- An increase of 2.6% in the Benefit Assessments and an increase of 2% in the ad valorem taxes were predicted. The combined increase in revenue from both ad valorem taxes and benefit assessments was forecast to be 1.33% greater than for the prior fiscal year.

- Interest earned on monies invested is forecast to remain low.

- Salaries and benefits were forecast to increase by 2.1% over the prior year. This was based on continuation of the terms of the memorandum of understanding (MOU) signed in August 2014 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.

- Expenditures on capital items remained similar to the prior budget year with purchases of three replacement trucks planned.

- To cope with costs that are rising faster than the rate of revenue increases, expenditures including travel, advertising, services and supplies were further reduced this budget year. Recruitment for the vacant Scientific Programs Manager position was deferred to save money and the Operations Manager position was left vacant for the foreseeable future. One Vector Control Technician position was also left vacant by attrition.

- A continuing high level of West Nile virus was anticipated and the District will continue its participation in the State's dead bird program.

- Continued tick-borne disease surveillance and associated public outreach and advertising efforts. The District maintains a Tick-borne Disease Advisory Group comprised of trustees, state staff, public health Department and District staff.

- The final phase of the programmatic environmental impact report to update the District's CEQA documentation. As part of the budget emendation In September 2014, the budget was increased due to the need for additional work identified by legal counsel and further work necessitated as a result of comments received from state agencies.

- In keeping with the District's plan to prefund its liabilities for Other Post-Employment Benefits (OPEB) a budgetary allocation of $169,000 was provided, representing the 2nd deposit into a trust fund account that has been established with the California Employees' Retiree Benefit Trust.

FUTURE EVENTS THAT WILL FINANCIALLY IMPACT THE DISTRICT

- Revenue from the District's main benefit assessment district (#1) remained the same as last year at $12 due to a lifetime cap imposed in 1996 at this amount. In Spring 2015, a proposed new benefit assessment to support the District's services failed to pass by a narrow margin of 1.25%. Financial projections show an increasing gap between revenues and expenditures in future years. The district will be faced with a decision about whether to seek long-term funding support in the form of a new benefit assessment or parcel tax, or begin to curtail services and staffing year by year until a fiscally sustainable level is reached.

- The need to continue making prefunding contributions each year to address the District's OPEB obligations. As part of a nine-year phase-in to paying the full Annual Required Cost, the FY 2014-15 budget incorporated an amount of $121,000 as an initial deposit into the District's trust fund account established with CalPERS California Employer's Retiree Benefit Trust. In FY 2015-16 this amount will increase to $169,000 plus the pay as you go contributions to retiree health care. Eventually the District will be required to pay the full annual required cost of approximately $1M. Under the terms of the new MOU, new employees do not receive fully-paid health care in retirement and this will eventually reduce the District's OPEB obligations.

- Invasive *Aedes* mosquitoes have gained an increasing foothold in certain areas of the state as close as San Mateo and Alameda Counties. Twelve counties now report detections of the Yellow Fever and Asian Tiger mosquitoes. Although surveillance has not detected these mosquitoes in the District's service area, it is very possible that they may spread to this area in future. Experience in other Districts has shown that additional staffing and funding would be needed to contain and attempt to eradicate such an infestation. Although the District maintains an emergency reserve of approximately $1 million for matters related to vector-borne disease, in the event of a local infestation such funds may require replenishment and supplementation.

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, 2015

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments (Note 3)	$10,672,765
Deposits held by VCJPA (Notes 3 and 8)	536,046
Accounts receivable, net	571,371
Property taxes receivable	254,076
Inventory (Note 2E)	127,133
Total current assets, net	12,161,391
Capital assets (Note 4):	
Nondepreciable:	
Land	675,000
Depreciable:	
Structures and improvements	6,674,176
Office equipment	589,038
Office furniture	47,879
Field equipment	276,020
Vehicles	2,157,583
Less: Accumulated depreciation	(4,259,697)
Total capital assets, net	6,159,999
Total assets	18,321,390
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related (Note 6B)	856,583
LIABILITIES	
Current liabilities:	
Accounts payable	8,972
Compensated absences (Note 2F)	184,027
Total current liabilities	192,999
Non-current liabilities:	
Compensated absences (Note 2F)	224,922
Net OPEB obligation (Note 7)	6,168,438
Collective net pension liability (Note 6B)	3,378,396
Total non-current liabilities	9,771,756
Total liabilities	9,964,755
DEFERRED INFLOWS OF RESOURCES	
Pension related (Note 6B)	1,581,184
NET POSITION (Note 5)	
Net investment in capital assets	6,159,999
Unrestricted	1,472,035
Total net position	$7,632,034

See accompanying notes to financial statements

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Change in Net Position
Governmental Activities:			
Public Health	($9,652,593)	$115,166	($9,537,427)
Total Governmental Activities	($9,652,593)	$115,166	(9,537,427)
General revenues:			
Taxes and assessments			7,966,350
Use of money and property			24,313
Other revenues			406,245
Total general revenues			8,396,908
Change in Net Position			(1,140,519)
Net Position - Beginning			13,630,380
Prior period adjustment due to implementation of GASB 68 & 71 (Notes 2H and 6B)			(4,857,827)
Net Position - Ending			$7,632,034

See accompanying notes to financial statements

MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

	General Fund	Capital Replacement Fund	Totals
ASSETS			
Cash and investments (Note 3)	$7,638,251	$3,034,514	$10,672,765
Deposits with VCJPA (Notes 3 and 8)	536,046		536,046
Accounts receivable	571,371		571,371
Property taxes receivable	254,076		254,076
Inventory (Note 2E)	127,133		127,133
Total Assets	$9,126,877	$3,034,514	$12,161,391
LIABILITIES			
Accounts payable	$8,972		$8,972
Total Liabilities	8,972		8,972
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - accounts receivable	478,842		478,842
Total Deferred Inflows of Resources	478,842		478,842
FUND BALANCES (Note 5)			
Nonspendable: deposits	536,046		536,046
Nonspendable: inventory	127,133		127,133
Committed for dry period funding	3,200,000		3,200,000
Assigned for future capital replacements		$3,034,514	3,034,514
Unassigned	4,775,884		4,775,884
Total Fund Balances	8,639,063	3,034,514	11,673,577
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$9,126,877	$3,034,514	$12,161,391

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, 2015

FUND BALANCE OF GOVERNMENTAL FUNDS		$11,673,577
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	$10,419,696	
Less: accumulated depreciation	(4,259,697)	6,159,999
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	478,842	
Compensated absences payable	(408,949)	
Other postemployment benefits payable	(6,168,438)	
Deferred outflows related to pension	856,583	
Net pension liability	(3,378,396)	
Deferred inflows related to pension	(1,581,184)	(10,201,542)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$7,632,034

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, 2015

	General Fund	Capital Replacement Fund	Totals
REVENUES:			
Taxes and assessments	$7,966,350		$7,966,350
Use of money and property	18,804	$5,509	24,313
Other revenues	286,625		286,625
Total Revenues	8,271,779	5,509	8,277,288
EXPENDITURES:			
Current:			
Salaries and benefits	5,020,022		5,020,022
General and administrative	2,783,678		2,783,678
Capital outlay		116,443	116,443
Total expenditures	7,803,700	116,443	7,920,143
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	468,079	(110,934)	357,145
OTHER FINANCING SOURCES (USES)			
Transfers in		148,372	148,372
Transfers (out)	(148,372)		(148,372)
Total other financing sources (uses)	(148,372)	148,372	
NET CHANGE IN FUND BALANCES	319,707	37,438	357,145
BEGINNING FUND BALANCES	8,319,356	2,997,076	11,316,432
ENDING FUND BALANCES	$8,639,063	$3,034,514	$11,673,577

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, 2015

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		$357,145
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	$116,443	
Net retirements of capital assets are not reported in the governmental fund	(4,604)	
Depreciation expense is not reportable in the governmental fund	(302,880)	(191,041)
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.		(480,464)
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.		(1,057,440)
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		234,786
Compensated absences		(3,505)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		($1,140,519)

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, 2015

	Budget Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes and assessments:				
Assessments	$3,135,174	$3,135,174	$3,133,090	($2,084)
Current secured	3,795,938	3,795,938	3,932,343	136,405
Current unsecured	91,749	91,749	108,421	16,672
Prior unsecured	2,645	2,645	2,772	127
Homeowners' property tax relief	29,851	29,851	29,200	(651)
Annexation revenue	777,544	777,544	780,411	2,867
Supplemental assessments	62,422	62,422	(20,008)	(82,430)
Other aid			121	121
Total taxes and assessments	7,895,323	7,895,323	7,966,350	71,027
Use of money and property:				
Interest income	27,190	27,190	18,804	(8,386)
Other revenues:				
Contract work	200,000	200,000	115,166	(84,834)
Refunds and reimbursements			171,459	171,459
Total other revenues	200,000	200,000	286,625	86,625
Total Revenues	8,122,513	8,122,513	8,271,779	149,266
EXPENDITURES				
Current:				
Employees' compensation				
Salaries and compensated absences	3,383,483	3,383,483	3,080,461	303,022
Employee benefits	2,098,977	2,098,977	1,939,561	159,416
Total employees' compensation	5,482,460	5,482,460	5,020,022	462,438
Total expenditures forward	5,482,460	5,482,460	5,020,022	462,438

(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, 2015

	Budget Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES				
Current:				
Total forward	5,482,460	5,482,460	5,020,022	462,438
General and administrative:				
Agriculture	647,325	647,325	627,797	19,528
Pest abatement supplies	20,300	20,300	16,378	3,922
Spray/field equipment	13,100	13,100	5,468	7,632
Source reduction equipment	18,300	18,300	8,534	9,766
Furniture, appliances and equipment	2,500	2,500	448	2,052
Clothing and personal supplies	39,950	39,950	18,405	21,545
Safety equipment	9,850	9,850	4,432	5,418
Communications	40,160	40,160	31,694	8,466
Food	3,425	3,425	3,255	170
District special expense	645,125	645,125	548,751	96,374
Household expense	8,900	8,900	5,900	3,000
Insurance	265,474	265,474	262,348	3,126
Maintenance - equipment	88,000	88,000	71,409	16,591
Maintenance - ground/structures	17,400	17,400	15,115	2,285
Lab	33,800	33,800	9,875	23,925
Fish supplies	11,400	11,400	2,185	9,215
Disease surveillance	22,000	22,000	23,150	(1,150)
Memberships	33,300	33,300	30,102	3,198
Office expense	41,400	41,400	32,722	8,678
Professional and special services	553,032	553,032	698,345	(145,313)
Publications and legal notices	133,000	133,000	132,768	232
Rents and leases	11,790	11,790	11,598	192
Small tools and instruments	4,200	4,200	3,306	894
Minor construction/improvements	20,250	20,250	14,844	5,406
Education/public relations and printing	75,000	75,000	48,462	26,538
Education and training for employees	16,500	16,500	7,805	8,695
Travel and transportation	34,300	34,300	18,963	15,337
Fuel and oil	110,500	110,500	105,546	4,954
Utilities	38,500	38,500	24,073	14,427
Total general and administrative	2,958,781	2,958,781	2,783,678	175,103
Total expenditures	8,441,241	8,441,241	7,803,700	637,541

(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, 2015

	Budget Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)			(148,372)	(148,372)
Total other financing sources (uses)			(148,372)	(148,372)
NET CHANGE IN FUND BALANCE	($318,728)	($318,728)	319,707	$638,435
BEGINNING FUND BALANCE			8,319,356	
ENDING FUND BALANCE			$8,639,063	

See accompanying notes to financial statements

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, 2015, there were two 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.

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.

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, 2015, the balance of compensated absences was $408,949, of which $184,027 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The following GASB pronouncements were effective for fiscal year ended June 30, 2015:

GASB Statement No. 68 – In 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27.* The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014, therefore, the District implemented this Statement in fiscal year ending June 30, 2015, which required a restatement to the District's financial statements, reducing net position by $4,857,827. See Note 6 for additional information.

GASB Statement No. 69 – In 2014, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operation.* This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013, therefore, the District implemented this Statement in fiscal year ending June 30, 2015. This Statement did not have any impact on the financial statements.

GASB Statement No. 71 – In 2014, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68.* The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities. This benefit will be achieved without the imposition of significant additional costs. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014, therefore, the District implemented this Statement in fiscal year ending June 30, 2015, along with GASB 68 as discussed above.

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 uncollateralized and uninsured.

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, 2015:

Cash on hand	$350
Deposits with financial institutions	76,311
Deposits with JPA	536,046
County of Marin Treasury	10,596,104
Total cash and investments	$11,208,811

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, 2015 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

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, 2015, was as follows:

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015
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	598,596	$18,262	($27,820)	589,038
Office furniture	47,879			47,879
Field equipment	276,591		(571)	276,020
Vehicles	2,059,402	98,181		2,157,583
Total capital assets being depreciated	9,656,644	116,443	(28,391)	9,744,696
Accumulated depreciation:				
Structures and improvements	(1,754,756)	(153,533)		(1,908,289)
Office equipment	(341,977)	(11,972)	23,216	(330,733)
Office furniture	(49,639)	(441)	571	(49,509)
Field equipment	(213,137)	(32,260)		(245,397)
Vehicles	(1,621,095)	(104,674)		(1,725,769)
Total accumulated depreciation	(3,980,604)	(302,880)	23,787	(4,259,697)
Total capital assets, being depreciated, net	5,676,040	($186,437)	($4,604)	5,484,999
Capital assets, net	$6,351,040			$6,159,999

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, 2015.

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.

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 Replacements 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. According to the Purpose of Trust, it states that the fund for mosquito and vector emergencies shall not exceed 25% of the fiscal year's expenditures.

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, 2015, are summarized as follows:

	Miscellaneous	
	Tier 1 - Classic	Tier 2 - PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013
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	6.91% - 11.95%	9.49%
Required employer contribution rates	30.10%	26.71%

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, 2015, the contributions recognized as part of pension expense for the Plans were as follows:

	Miscellaneous
Contributions - employer	$856,583

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

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	$3,378,396
Total Net Pension Liability	$3,378,396

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, 2014, 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, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension 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, 2013 and 2014 was as follows:

	Miscellaneous
Proportion - June 30, 2013	1.0292%
Proportion - June 30, 2014	1.3670%
Change - Increase (Decrease)	0.3378%

NOTE 6 – PENSION PLANS (Continued)

For the year ended June 30, 2015, the District recognized pension expense of $480,464. At June 30, 2015, 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	$856,583	
Net differences between projected and actual earnings on plan investments		$1,581,184
Total	$856,583	$1,581,184

$856,583 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, 2016. 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	
2016	$395,296
2017	395,296
2018	395,296
2019	395,296
2020	-

Actuarial Assumptions – As noted on the previous page, both the TPL as of June 30, 2013, and the TPL as of June 30, 2014, were based upon the same data, actuarial methods and assumptions, and plan provisions as were used in the actuarial valuation as of June 30, 2013. The actuarial assumptions were based on the results of an actuarial experience study for the period of July 1, 2008 – June 30, 2011. The total pension liabilities in the June 30, 2013 actuarial valuation were determined using the following actuarial assumptions:

	Miscellaneous
Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Inflation	3.25%
Projected Salary Increase	3.25%-8.25% (1)
Cost of Living Adjustments	3.25%
Investment Rate of Return	7.5% (2)
Post Retirement COLA	Assumed at the rate of 3.0% for members with a 4% COLA cap, 2.7% for members with a 3% COLA cap, and 1.9% for members with a 2% COLA cap
Mortality	RP-2000 Combined Healthy Mortality Basic

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses, including inflation

NOTE 6 – PENSION PLANS (Continued)

Discount Rate – The discount rate used to measure the Total Pension Liability was 7.50%.

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 2008 amortized over a closed period (25 years remaining as of the June 30, 2013 actuarial valuation) and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level percentage of payroll over a closed period (17 years remaining as of the June 30, 2013 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, 2014:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	32%	5.35%
International Equity	22%	5.50%
Fixed Income	23%	0.75%
Real Estate	15%	3.90%
Private Equity	8%	6.25%
Total	100%	

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The discount rate used to measure the Total Pension Liability was 7.5%. 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 2008 amortized over a closed period (25 years remaining as of the June 30, 2013 actuarial valuation) and an amount necessary to amortize the remaining Unfunded Actuarial Liability as a level percentage of payroll over a closed period (17 years remaining as of the June 30, 2013 actuarial valuation).

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 114%. A one percent increase in the discount rate decreases the TPL by approximately 10% and decreases the NPL by approximately 95%.

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:

	Miscellaneous
1% Decrease	6.50%
Net Pension Liability	$7,239,023
Current Discount Rate	7.50%
Net Pension Liability	$3,378,396
1% Increase	8.50%
Net Pension Liability	$168,001

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, 2015, 24 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.

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, 2015, the District contributed $362,560 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)	$1,447,000
Interest on Net OPEB Obligation	202,000
Adjustments to ARC	(229,000)
Annual OPEB cost	1,420,000
Contributions made:	
Current year premiums	198,560
Implicit rate subsidy	43,000
Trust pre-funding	121,000
Total contributions	362,560
Increase in net OPEB Obligation	1,057,440
Net OPEB Obligation at June 30, 2014	5,110,998
Net OPEB Obligation at June 30, 2015	$6,168,438

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 $121,000 to the trust as of June 30, 2015.

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, 2013	$1,303,606	$149,437	11%	$3,907,216
June 30, 2014	1,345,000	141,218	10%	5,110,998
June 30, 2015	1,420,000	362,560	26%	6,168,438

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%.

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, 2015:

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

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

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

NOTE 8 – RISK MANAGEMENT (Continued)

In accordance with GASB 10, the District has recorded its deposit with VCJPA as an asset at June 30, 2015. The District had no claims losses outstanding at June 30, 2015. Settled claims for the District have not exceeded coverage in any of the past three years.

The District has reserves of $536,046 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 Oak Drive, Suite 200, Sacramento, California 95833.

REQUIRED SUPPLEMENTARY INFORMATION

MARIN/SONOMA MOSQUITO & VECTOR CONTROL DISTRICT
As of fiscal year ending June 30, 2015
Last 10 Years*
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

	2015
Total Pension Liability	
Service Cost	$670,033
Interest (includes interest on service cost)	2,180,665
Changes in assumptions	-
Changes in benefits	-
Benefit payments, including refunds of employee contributions	(1,494,717)
Net change in total pension liability	1,355,982
Total pension liability - beginning	29,480,426
Total pension liability - ending (a)	$30,836,408
Plan fiduciary net position	
Contributions - employer	$1,017,004
Contributions - employee	253,389
Net investment income	4,224,064
Benefit payments, including refunds of employee contributions	(1,494,717)
Administrative Expense	(61,568)
Net change in plan fiduciary net position	3,938,172
Plan fiduciary net position - beginning	23,519,840
Plan fiduciary net position - ending (b)	$27,458,012
Net pension liability - ending (a)-(b)	**$3,378,396**
Plan fiduciary net position as a percentage of the total pension liability	89.04%
Covered - employee payroll	$2,984,718
Net pension liability as percentage of covered-employee payroll	113.19%

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

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

	Fiscal Year 2013 - 2014
Actuarially determined contribution	$1,012,629
Contributions in relation to the actuarially determined contributions	1,012,629
Contribution deficiency (excess)	$0
Covered-employee payroll	$2,984,718
Contributions as a percentage of covered-employee payroll	33.93%

Notes to Schedule

Valuation date:	June 30, 2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	3.25%
Salary increases	3.25% plus merit component based on employee classification and years of service
Investment rate of return	7.50%
Mortality	RP-2000 Healthy Annuitant Mortality Table

* Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

MARIN/SONOMA MOSQUITO & VECTOR CONTROL DISTRICT
Other Post Employment Benefits
As of fisal year ending June 30, 2015
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, 2015

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

For the Year Ended June 30, 2015

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MEMORANDUM ON INTERNAL CONTROL

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

We have audited the financial statements of the Marin/Sonoma Mosquito and Vector Control District (District) for the year ended June 30, 2015, and have issued our report thereon dated October 14, 2015. In planning and performing our audit of the financial statements of the District as of and for the year ended June 30, 2015, 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 our auditing 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. 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 a material weakness. 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 to be of potential benefit to the District.

The District's written responses included in this report have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

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.

Maze & Associates

Pleasant Hill, California
October 14, 2015

MARIN/SONOMA MOSQUITO & VECTOR CONTROL DISTRICT
MEMORANDUM ON INTERNAL CONTROL
SCHEDULE OF OTHER MATTERS
FOR THE YEAR ENDED JUNE 30, 2015

2015-01: 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 one that will have an impact on the District's financial statements, effective in fiscal year ending June 30, 2016, to keep you informed about these developments on a proactive basis.

The following pronouncement is effective in fiscal year 2015/16:

GASB 72 – *Fair Value Measurement and Application*

This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Fair Value Measurement

Fair value is described as an exit price. Fair value measurements assume a transaction takes place in a government's principal market, or a government's most advantageous market in the absence of a principal market. The fair value also should be measured assuming that general market participants would act in their economic best interest. Fair value should not be adjusted for transaction costs.

To determine a fair value measurement, a government should consider the unit of account of the asset or liability. The unit of account refers to the level at which an asset or a liability is aggregated or disaggregated for measurement, recognition, or disclosure purposes as provided by the accounting standards. For example, the unit of account for investments held in a brokerage account is each individual security, whereas the unit of account for an investment in a mutual fund is each share in the mutual fund held by a government.

This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount. Valuation techniques should be applied consistently, though a change may be appropriate in certain circumstances. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels. 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 the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security.

A fair value measurement takes into account the highest and best use for a nonfinancial asset. A fair value measurement of a liability assumes that the liability would be transferred to a market participant and not settled with the counterparty. In the absence of a quoted price for the transfer of an identical or similar liability and if another party holds an identical item as an asset, a government should be able to use the fair value of that asset to measure the fair value of the liability.

This Statement requires additional analysis of fair value if the volume or level of activity for an asset or liability has significantly decreased. It also requires identification of transactions that are not orderly. Quoted prices provided by third parties are permitted, as long as a government determines that those quoted prices are developed in accordance with the provisions of this Statement.

Fair Value Application

This Statement generally requires investments to be measured at fair value. An *investment* is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Investments not measured at fair value continue to include, for example, money market investments, 2a7-like external investment pools, investments in life insurance contracts, common stock meeting the criteria for applying the equity method, unallocated insurance contracts, and synthetic guaranteed investment contracts. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share (or its equivalent) of the investment.

This Statement requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement. These assets were previously required to be measured at fair value.

Fair Value Disclosures

This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent).

How the Changes in This Statement Improve Financial Reporting

The requirements of this Statement will enhance 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. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

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, 2015. 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:

> **GASB Statement No. 68 –** ***Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27***
>
> The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.
>
> This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.
>
> Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared.
>
> In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a nonemployer entity has a legal requirement to make contributions directly to a pension plan.

Accountancy Corporation
3478 Buskirk Avenue, Suite 215
Pleasant Hill, CA 94523

T 925.930.0902
F 925.930.0135
E maze@mazeassociates.com
W **mazeassociates.com**

GASB Statement No. 71 – *Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*

The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine *all* such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

The above pronouncements became effective, and as disclosed in Note 6 to the financial statements required a prior period adjustment for the cumulative effect on the financial statements.

Unusual Transactions, Controversial or Emerging Areas

We noted no transactions entered into by the governmental unit 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.

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 estimates affecting the District's financial statements are depreciation and actuarial estimates for net pension liability and other post-employment benefits.

Management's estimate of depreciation is based on the estimated useful lives of the capital assets. We evaluated the key factors and assumptions used to develop the depreciation expense determined that they are reasonable in relation to the basic financial statements taken as a whole.

The value of the assets, liability and assumptions used to determine annual required contributions for other post-employment benefits is determined by an actuary study provided to the District. The value of the District's net pension liability was obtained from an actuarial valuation provided by MCERA.

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. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

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 14, 2015.

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

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

With respect to the required supplementary information accompanying the financial statements, we 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 did not express an opinion nor 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.

*****

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 14, 2015