

MATSON
& ISOM

SHASTA MOSQUITO AND
VECTOR CONTROL DISTRICT

Anderson, California

REPORT TO THE
BOARD OF DIRECTORS

June 30, 2013



MATSON
& ISOM

Board of Directors
Shasta Mosquito and Vector Control District
Anderson, CA 96007

We have audited the financial statements of Shasta Mosquito and Vector Control District (the District), as of and for the year ended June 30, 2013, and have issued our report thereon dated January 8, 2014. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated August 28, 2013, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the District solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Safeguards have been implemented to reduce the threats on our independence. These safeguards include: continuing education related to independence and ethics requirements; external review of our firm's quality control system, our firm's internal policies and procedures which are designed to monitor compliance with the independence requirements, the involvement of another firm partner who is responsible for completing an independent quality control review of the financial statements as well as the significant conclusions within the audit analysis; and your management's skill, knowledge, experience, and oversight.

Qualitative Aspects of the District's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the District is included in note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2013. No matters have come to our attention that would require us, under professional standards, to inform you about: (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on 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 markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are listed below:

- Management's estimate of the annual required contributions for other postemployment benefit obligations is based on an actuarial determination using various actuarial assumptions, which are described in note 7 to the financial statements. We evaluated the key factors and assumptions used to develop the actuarial present value of accumulated plan benefits in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the annual depreciation is based on the estimated useful lives on the assets, which are described in note 1 to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the accrued compensated absences is based on the current pay rates and accrued hours for each employee. We evaluated the key factors and assumptions used to develop the accrued compensated absence in determining that they are reasonable in relation to the financial statements taken as a whole.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. The attached schedule summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and each applicable opinion unit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. No such misstatements were noted.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the District's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested From Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations With Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

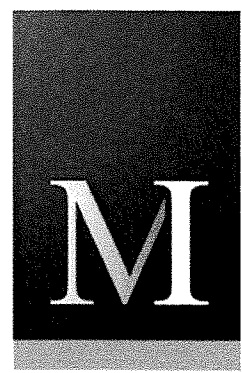
Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the District, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the District, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the District's auditors.

This report is intended solely for the information and use of the Board of Directors and management of the Shasta Mosquito and Vector Control District and is not intended to be and should not be used by anyone other than these specified parties.

Matson and Isom

January 8, 2014
Redding, California



MATSON
& ISOM

SHASTA MOSQUITO AND
VECTOR CONTROL DISTRICT

Anderson, California

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITORS' REPORTS

June 30, 2013

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*Shasta Mosquito and
Vector Control District*

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MATSON
& ISOM

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Shasta Mosquito and Vector Control District
Anderson, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Shasta Mosquito and Vector Control District (the District), as of and for the year ended June 30, 2013, 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

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

Auditors' Responsibility

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT

Continued

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 27 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering the District's internal control over financial reporting and compliance.

Matson and Isom

October 8, 2014
Redding, California

MANAGEMENT DISCUSSION AND ANALYSIS SECTION
(Required Supplementary Information)

INTRODUCTION

As management of the Shasta Mosquito and Vector Control District ("District"), we offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities during the fiscal year ending June 30, 2013. Please read it in conjunction with the District's financial statements and accompanying notes to those financial statements.

BACKGROUND

The Shasta Mosquito and Vector Control District is a special district, originally started as the Redding Mosquito Abatement District in 1919; they quickly joined the forces of other local mosquito abatement districts and formed the Shasta Mosquito Abatement District in the 1950s. After several annexations, the Shasta Mosquito Abatement District expanded to a full vector control district; changing the District name to Shasta Mosquito and Vector Control District in 1994. Currently, the District comprises approximately 1,086 square miles in Shasta County and provides Mosquito and Vector Control to Redding, Anderson, Shasta Lake City, and many towns in unincorporated Shasta County. The District's Mission is: "To protect the public's health from vector-borne disease and nuisance, through a comprehensive mosquito and vector control program focused on innovation, experience, and efficiency."

FINANCIAL HIGHLIGHTS

- The assets of the Shasta Mosquito and Vector Control District exceeded its liabilities at the close of the Fiscal Year (FY) 2012-2013 by \$4,097,567. Of this amount, \$3,349,546 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by \$126,767.
- At the end of the FY 2012-2013, unassigned fund balance for the General Fund was \$2,185,889 or 86% percent of the total general fund expenditures.
- Revenues increased by \$224,545, expenses increased by \$181,715 as compared to last year.

OVERVIEW OF THIS ANNUAL REPORT

This annual report includes the Independent Auditors' Reports, Management's Discussion and Analysis, and the Financial Statements of the District. The financial statements are comprised of: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the financial statements.

INTRODUCTION TO THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's audited financial statements, which are comprised of the basic financial statements. This annual report is prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for States and Local Governments*. The Single Governmental Program for Special Purpose Governments reporting model is used which best represents the activities of the District. The Statement of Net Position presents the financial position of the District on a full accrual historical cost basis and provides information about the nature and amount of resources and obligations at year-end.

The required financial statements include the Government-wide and Fund Financial Statements; Statement of Net Position and Governmental Fund Balance Sheet; Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances; and the Statement of Revenues, Expenditures, and Changes in Fund Balances, Budget and Actual-All Government Fund Types.

These statements are supported by notes to the basic financial statements. All sections must be considered together to obtain a complete understanding of the financial picture of the District.

THE BASIC FINANCIAL STATEMENTS

The Basic Financial Statements comprise the Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the District's financial activities and financial position.

The Government-wide Financial Statements provide a longer-term view of the District's activities as a whole, and comprise the Statement of Net Position and the Statement of Activities. The Statement of Net Position provides information about the financial position of the District as a whole, including all of its capital assets and long-term liabilities, similar to that used by corporations. The Statement of Activities provides information about all of the District's revenues and all of its expenses, with the emphasis on measuring net revenues or expenses of the District's programs. The Statement of Activities explains in detail the change in Net Position for the year.

All of the District's activities are grouped into Governmental Activities, as explained below.

The Fund Financial Statements report the District's operations in more detail than the Government-wide statements and focus primarily on the short-term activities of the District's General Fund and other Major Funds. Major Funds account for the major financial activities of the District and are presented individually. Major Funds are explained below.

THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. This statement measures the success of the District's activities over the past year and can be used to determine whether the District has successfully recovered all of its costs. This statement also measures profitability and credit worthiness.

The Statement of Net Position and the Statement of Activities present information about the following:

Governmental Activities - The District's basic services are considered to be governmental activities. These services are supported by general District revenues such as taxes, and by specific program revenues such as user fees and charges.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Fund Financial Statements provide detailed information about each of the District's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually; the District has no Non-major Funds. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds, in the District's case.

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

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

Comparisons of Budget and Actual financial information are presented for the General Fund. The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12-13 of this report.

ANALYSES OF MAJOR FUNDS

Governmental Funds

General Fund revenues increased by \$319,811 this fiscal year, due primarily to the dissolution of Redevelopment Agencies, they subsequently liquidated their cash assets and distributed them amongst agencies. Actual revenues were considerably higher than the budgeted amount (actual \$2,520,246 vs. budget \$2,242,488).

**MANAGEMENT'S DISCUSSION AND
ANALYSIS**
June 30, 2013

*Shasta Mosquito and
Vector Control District*

General Fund expenditures were \$2,530,482; an increase of \$239,128 from the prior year mainly due to the increase in health insurance costs, additional costs associated with labor negotiations, and increased pesticide purchasing due to an outbreak in West Nile virus. Expenditures were higher than budgeted by \$146,994.

Government-Wide Financial Analysis

One of the most important questions asked about the District's finances is "Is the District as a whole better off or worse as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the District's activities in a way that will help to answer this question. These two statements report the net position of the District and the changes in them. One can think of the District's net position, which is the difference between assets and liabilities, as one way to measure financial health or financial position. Key elements of the financial statements mentioned above are focused on the Statement of Net Position (Table 1) and Statement of Activities (Table 2).

Table 1 - Statement of Net Position	2013	2012	Change	% Change
ASSETS				
Cash and investments	\$ 3,380,510	\$ 3,255,399	\$ 125,111	4%
Other current assets	122,144	331,749	(209,605)	-63%
Capital assets - net accumulated depreciation	748,021	767,065	(19,044)	-2%
Total Assets	\$ 4,250,675	\$ 4,354,213	\$ (103,538)	-2%
LIABILITIES				
Current liabilities	\$ 153,108	\$ 129,879	\$ 23,229	18%
Total Liabilities	153,108	129,879	23,229	18%
NET POSITION				
Investment in capital assets	748,021	767,065	(19,044)	-2%
Unrestricted	3,349,546	3,457,269	(107,723)	-3%
Total Net Position	\$ 4,097,567	\$ 4,224,334	\$ (126,767)	-3%

The District's governmental net assets amounted to \$4,097,567 as of June 30, 2013, a decrease of \$126,767 from 2012. The District's net position as of June 30, 2013, comprised the following:

- Cash and investments of \$3,380,510.
- Accounts receivable of \$8,661.
- Capital assets of \$748,021 net of depreciation charges, which includes all the District's capital assets used in governmental activities.
- Liabilities, including accounts payable and other liabilities, totaling \$153,108.
- Investment in capital assets of \$748,021, representing the District's investment in capital assets used in Governmental Activities.
- Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements. The District had \$3,349,546 of unrestricted net position as of June 30, 2013.

**MANAGEMENT'S DISCUSSION AND
ANALYSIS**
June 30, 2013

*Shasta Mosquito and
Vector Control District*

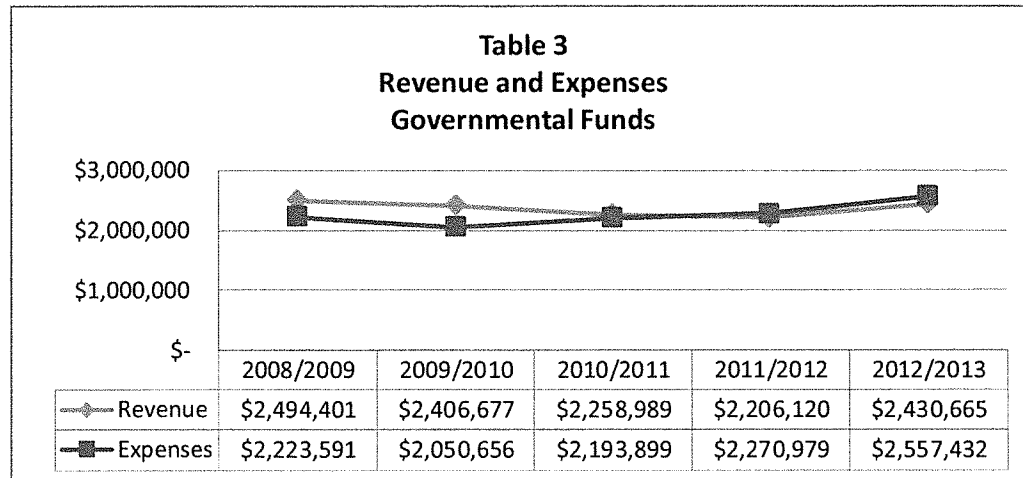
The Statement of Activities presents program revenues and expenses and general revenues in detail. All of these are elements in the Changes in Governmental Net Position summarized in the following table.

Table 2 - Changes in Governmental Net Position	2013	2012	Change	% Change
REVENUES				
Taxes	\$ 1,255,315	\$ 1,007,824	\$ 247,491	25%
Charges for current services	1,125,510	1,141,795	(16,285)	-1%
Homeowners property tax relief	15,590	18,866	(3,276)	-17%
Use of money and property	18,255	32,117	(13,862)	-43%
Other revenues	15,995	5,518	10,477	190%
Total Revenues	2,430,665	2,206,120	224,545	10%
EXPENSES				
Salaries and benefits	1,672,606	1,578,900	93,706	6%
Service and supplies	767,040	676,724	90,316	13%
Utilities	15,890	15,355	535	3%
Depreciation	101,896	104,738	(2,842)	-3%
Total Expenses	2,557,432	2,375,717	\$ 181,715	8%
Change in Net Position	(126,767)	(169,597)		
Net Position - Beginning of Year	4,224,334	4,393,931		
Net Position - End of Year	\$ 4,097,567	\$ 4,224,334		

As Table 2 above shows, all of the District's fiscal year 2013 governmental revenue of \$2,430,665 came from general revenues such as taxes, charges for services and interest. General revenues are not allocable to programs. General revenues are used to pay for the net cost of governmental programs.

Revenues and Expenses

As can be seen in Table 3, revenues were highest in 2008/09. Over time, District staff altered the way budgeting occurred resulting in a closer budget to actual. Changes in revenues occurred in these areas: dissolution of Redevelopment Agencies, benefit assessment, property taxes, and interest income. Property taxes have begun to plateau because most reassessments of property values following the housing market decline have stopped and some valuations are slowly increasing. In Fiscal year 2011/12 and 2012/13 the District expenses exceeded revenue, this is a result of Board direction to reduce fund balance and lessen fluctuations in the Benefit Assessment rate. In addition, the District had to utilize reserves to manage a year of WNV suppression that was greatly elevated from the previous 3 years.



Capital Assets

Detail on capital assets can be found in Note 4.

Budgetary Highlights

The Shasta Mosquito and Vector Control District's budget year starts July 1st ending June 30th the following year. Annual preparations for the budget begin in January and continue through the spring until the budget package is distributed to the Board of Trustees at the regular meeting in May each year to be approved and adopted at the June meeting.

The District Manager prepares the budget document and serves as the focal point for issuing guidelines, responding to questions, and along with the Administrative Manager reviewing departmental budget requests. The District Manager, along with the Administrative Manager, works to prepare and present the budget to the Finance Committee. The Finance Committee is comprised of two Board members selected by the Board president at the beginning of the calendar year. The Finance Committee reviews, and if necessary, revises the proposed budget. The Finance Committee also determines whether the proposed budget adequately addresses the priorities of the District. The Finance Committee approves the proposed budget and submits it for adoption by the full Board of Trustees. The Board of Trustees has the final responsibility for adopting the budget and making the necessary appropriations.

Amendments must be approved by the Board of Trustees and consist of changes to the appropriations in the budget document after Board adoption but before the end of the year. Criterion for formal amendments to the budget include: unexpected downturn in economic conditions, rising costs for services or supplies purchased by the District, new priorities, or forecast errors.

**MANAGEMENT'S DISCUSSION AND
ANALYSIS**
June 30, 2013

*Shasta Mosquito and
Vector Control District*

Table 4 - Budget vs Actual	Budget	Actual	% Variance
REVENUES AND TRANSFERS			
Property taxes and assessments	\$ 2,224,088	\$ 2,396,415	8%
Interest and miscellaneous	18,400	34,250	46%
Transfers	141,000	222,000	57%
Total Revenues	2,383,488	2,652,665	11%
EXPENDITURES/EXPENSES			
Salaries and benefits	1,625,720	1,664,700	2%
Service and supplies	655,768	766,088	14%
Utilities	16,000	15,890	-1%
Capital outlay	86,000	83,804	-3%
Total Expenditures/Expenses	\$ 2,383,488	\$ 2,530,482	6%

Debt Administration

In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Compensated absences accounted for the largest long-term liability for the District year ending June 30, 2013; \$124,521. Additionally, the District currently carries a defined benefit post-employment healthcare plan and corresponding post employment benefit obligation.

Economic Outlook and Next Year's Budget

Economic factors to consider include: the continuing housing market problems with home foreclosures throughout the County, less development, and the potential reduction in home values which will affect future property tax revenue. Although we expect the property values to plateau this year, the District does not anticipate accelerated growth. Price of fuel will play a part in increasing costs directly, due to the motor and fuel for operations, and indirectly, due to increasing costs of deliveries of pesticides and other products; additionally, CalPERS retiree and medical costs are also set to rise. Other factors include low returns on investments due to the low interest rates offered.

Contacting the District's Financial Management

This financial report is designed to provide the District's constituents and stakeholders with a general overview of the District's finances, and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the District Manager, Shasta Mosquito and Vector Control District, 19200 Latona Road, Anderson, California 96007.

FINANCIAL SECTION

**STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE
SHEET**

*Shasta Mosquito and
Vector Control District*

June 30, 2013	General Fund	Capital Projects Fund	Total	Adjustments (Note 2)	Statement of Net Position
ASSETS					
Cash and cash equivalents	\$ 2,756,462	\$ 624,048	\$ 3,380,510	\$ -	\$ 3,380,510
Accounts receivable	8,661	-	8,661	-	8,661
Due from other governments	56,223	-	56,223	-	56,223
Inventories	57,260	-	57,260	-	57,260
Nondepreciable capital assets	-	-	-	51,273	51,273
Depreciable capital assets - net	-	-	-	696,748	696,748
Total Assets	\$ 2,878,606	\$ 624,048	\$ 3,502,654	\$ 748,021	\$ 4,250,675
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 27,089	\$ -	\$ 27,089	\$ -	\$ 27,089
Compensated absences	14,391	-	14,391	110,130	124,521
Other postemployment benefit liability	-	-	-	1,498	1,498
Total Liabilities	41,480	-	41,480	111,628	153,108
FUND BALANCES					
Nonspendable	57,260	-	57,260	-	57,260
Committed	593,977	-	593,977	-	593,977
Assigned - capital projects	-	624,048	624,048	-	624,048
Unassigned	2,185,889	-	2,185,889	-	2,185,889
Total Fund Balances	2,837,126	624,048	3,461,174	-	3,461,174
Total Liabilities and Fund Balances	\$ 2,878,606	\$ 624,048	\$ 3,502,654		
NET POSITION					
Investment in capital assets				748,021	748,021
Unrestricted				3,349,546	3,349,546
Total Net Position				\$ 4,097,567	\$ 4,097,567

The accompanying notes are an integral part of these financial statements.

**STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES, AND CHANGES IN
FUND BALANCES**

*Shasta Mosquito and
Vector Control District*

<u>Year Ended June 30, 2013</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Activities</u>
REVENUES					
Taxes	\$ 1,348,379	\$ -	\$ 1,348,379	\$ (93,064)	\$ 1,255,315
Charges for current services	1,125,510	-	1,125,510	-	1,125,510
Homeowners property tax relief	15,590	-	15,590	-	15,590
Use of money and property	14,772	3,483	18,255	-	18,255
Other revenue	15,995	-	15,995	-	15,995
Total Revenues	<u>2,520,246</u>	<u>3,483</u>	<u>2,523,729</u>	<u>(93,064)</u>	<u>2,430,665</u>
EXPENDITURES/EXPENSES					
Current:					
Salaries and benefits	1,664,700	-	1,664,700	7,906	1,672,606
Service and supplies	767,040	-	767,040	-	767,040
Utilities	15,890	-	15,890	-	15,890
Capital outlay	82,852	-	82,852	(82,852)	-
Depreciation	-	-	-	101,896	101,896
Total Expenditures/Expenses	<u>2,530,482</u>	<u>-</u>	<u>2,530,482</u>	<u>26,950</u>	<u>2,557,432</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	222,000	-	222,000	(222,000)	-
Transfers out	-	(222,000)	(222,000)	222,000	-
Total Other Financing Sources (Uses)	<u>222,000</u>	<u>(222,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues and Transfers In Over (Under) Expenditures and Transfers Out	211,764	(218,517)	(6,753)	6,753	-
Change in Net Position	-	-	-	(126,767)	(126,767)
Fund Balance/Net Position- Beginning of Year	<u>2,625,362</u>	<u>842,565</u>	<u>3,467,927</u>	<u>756,407</u>	<u>4,224,334</u>
Fund Balance/Net Position - End of Year	<u>\$ 2,837,126</u>	<u>\$ 624,048</u>	<u>\$ 3,461,174</u>	<u>\$ 636,393</u>	<u>\$ 4,097,567</u>

The accompanying notes are an integral part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity The Shasta Mosquito and Vector Control District (the District) is a California special district governed by a five-member board of trustees. As required by generally accepted accounting principles, these financial statements present the Shasta Mosquito and Vector Control District alone, as the District has no component units, related organizations, or jointly governed organizations.

The purpose of the District is to protect the public's health from vector-borne disease and nuisance through a comprehensive mosquito and vector control program.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller and state regulations governing special districts.

Basis of Presentation For financial reporting purposes, the District is considered a special-purpose government engaged in governmental activities. As provided by Governmental Accounting Standards Board (GASB) Statement No. 34, the basic financial statements are presented using the combined approach. This approach combines the fund financial statements with the government-wide financial statements (i.e., the statement of net assets and the statement of activities) by using a columnar format that reconciles the individual line items of fund financial data to government-wide data in a separate column. Interfund activities are eliminated in the government-wide financial statements. The other reconciling items are further explained in note 2.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Contributions and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all governmental fund revenues except property taxes which have a 60-day availability period. Expenditures are recorded when the related fund liability is incurred. The activities of the District are recorded in the General Fund and the Capital Projects Fund.

Basis of Accounting The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Cash and Cash Equivalents The District considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested in the County Treasurer's investment pool are considered cash equivalents.

Due From Other Governments Due from other governments consist of property taxes and special assessments. Management considers all taxes receivable to be collectible.

Property Tax Receivable Under the provisions of Proposition 1A and as part of the 2009-10 budget package passed by the California state legislature on July 28, 2009, the State of California borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties, and special districts (excluding redevelopment agencies). The state was required to repay this borrowing plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one additional borrowing within a ten-year period. The amount of this borrowing pertaining to the Agency was \$93,064. Under the modified accrual basis of accounting, the borrowed tax revenues were not permitted to be recognized as revenue in the government fund financial statements until the tax revenues were received from the State of California in the current fiscal year.

Inventories The cost of governmental fund inventories are recorded as expenditures when consumed rather than when purchased.

Capital Assets Capital assets, which include land, buildings, and equipment, are reported in the government-wide financial statements. Acquisitions of capital assets are recorded as expenditures in the governmental fund at the time of purchase.

Capital assets are recorded at historical cost, although for certain older assets estimated historical costs are used. Donated capital assets are recorded at the estimated fair market value at the date of donation.

Capital assets used in operations are depreciated using the straight-line method over the estimated useful lives in the government-wide financial statements. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Vehicles	5 years
Furniture and equipment	5 to 7 years
Buildings and improvements	15 to 39 years

The costs of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized. The capitalization threshold is \$3,000.

Compensated Absences Vested or accumulated vacation leave and compensatory time that are expected to be liquidated with expendable available financial resources are reported as expenditures and fund liabilities of the governmental funds that will pay them. Amounts of vested or accumulated vacation leave and compensatory time that are not expected to be liquidated with expendable available financial resources are reported in the statement of net assets as long-term liabilities, including the current portion. In accordance with generally accepted accounting principles, no liability is recorded for nonvesting accumulated rights to receive sick pay benefits.

Net Position/Fund Balance Net position represents the difference between assets and liabilities. The District's net position is classified as follows:

Investment in Capital Assets: This represents the District's total investment in capital assets. There are no outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of investment in capital assets.

Unrestricted: Unrestricted net position represents resources derived from taxes and charges for services. These resources are used for transactions relating to the general operations of the District, and may be used at the discretion of the governing board to meet current expenses for any purpose.

Beginning with the year ended June 30, 2011, the District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable Fund Balance: Amounts that are not in spendable form (such as inventories) or are required to be maintained intact.

Restricted Fund Balance: Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed Fund Balance: Amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned Fund Balance: Amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. All of the District's assigned fund balance is assigned for capital projects.

Unassigned Fund Balance: Amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

Property Taxes The County of Shasta assesses, bills, and collects property taxes for the District. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1. They become due November 1 and February 1 and become delinquent December 10 and April 10.

The County adopted the alternative method of tax apportionment ("Teeter Plan"). As of July 1, 1992, the District determined they would participate in this Plan. Under the Plan, the County now remits all property taxes due to the District and all special assessments due to the District without regard to their current or delinquent status.

Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interfund Transfers Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

2. RECONCILIATION OF GOVERNMENT-WIDE AND GOVERNMENTAL FUND FINANCIAL STATEMENTS

Amounts reported in the statement of net assets are different from the governmental funds balance sheet because:

Governmental funds report capital outlay as expenditures when incurred. However, in the statement of net position, capital assets are capitalized when acquired and their costs are allocated over their estimated useful lives through the use of depreciation expense. This is the amount by which the cost capitalized exceeds the accumulated depreciation expense to date.

Nondepreciable Capital Assets	\$ 51,273
Depreciable capital assets	\$ 2,376,846
Less: Accumulated depreciation	<u>1,680,098</u>
Depreciable Capital Assets - Net	\$ 696,748

Some expenses such as compensated absences and other postemployment benefits (OPEB) reported in the statement of activities do not require the use of current financial resources and are, therefore, not reported as expenditures and liabilities in the governmental funds balance sheet.

The following reflects the liability for expenses that will not be paid with current resources:

OPEB obligation	\$ 1,498
Compensated absences	<u>\$ 110,130</u>

**NOTES TO THE FINANCIAL
STATEMENTS**
June 30, 2013

***Shasta Mosquito and
Vector Control District***

Amounts reported in the statement of activities are different from the governmental fund revenues, expenditures, and changes in fund balance because:

Government funds report revenues when they are both measurable and available. However, in the statement of activities, revenues are recorded when earned.

Taxes	\$ 93,064
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Compensated absence expense	\$ 4,907
Other postemployment benefits expense	\$ (12,813)

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is capitalized and reported over their estimated useful lives as depreciation expense.

Capital outlay	\$ (82,852)
Depreciation expense	\$ 101,896

3. CASH AND INVESTMENTS

The cash and investments as of June 30, 2013, are displayed on the statement of net assets as follows:

Cash and cash equivalents	\$ 3,380,510
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Deposits

At June 30, 2013, the carrying amounts of the deposits are summarized as follows:

Cash in County treasury	\$ 2,651,071
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All District balances are held by the County of Shasta in a pooled fund, which is invested by the County to earn interest. Interest earned on such pooled cash balances is distributed to participating funds based on each fund's average cash balance during the distribution period. Copies of the County of Shasta's 2013 audited financial statements may be obtained from the County Office of Administration at 1450 Court Street, Room 309, Redding, CA 96001-1671.

Funds invested in the County Treasurer's investment pool are considered cash equivalents. GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, provides that amounts held in external investment pools be reported at fair value.

The *California Government Code* and investment policy of the County authorize the County to invest in obligations, participations, or other investments of the U.S. Government or its agencies, state and municipal bonds, commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided by Standard & Poor's Corporation or Moody's Investor Service, Inc., bankers' acceptances, repurchase agreements, and the State Treasurer's Investment Pool (Local Agency Investment Fund).

The pooled treasury has regulatory oversight from the Shasta County Treasury Oversight Committee in accordance with *California Government Code* requirements. As provided in the 2013 audited financial statements for the County of Shasta, the County Treasury's Pooled Money Investment account's weighted average maturities was 764.63 days.

Risk Information

Interest rate risk is the risk that changes in interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. *California Government Code*, Section 53601, limits the County's investments to maturities of five years.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. This is measured by ratings assigned by nationally-recognized organizations. The District's investment in the County investment pool is unrated.

Concentration risk is defined as positions of 5% or more in the securities of a single issuer. The District's investment policy does not address this risk.

Custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g., financial institution, broker-dealer) to a transaction, a government will not be able to recover the value of its cash and investments or collateral securities that are in the possession of another party. For deposits, the *California Government Code* requires California banks and savings and loan associations to secure the District's deposits by pledging government securities as collateral. The market value of pledged securities must equal 110% of an entity's deposits. California law also allows financial institutions to secure an entity's deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The District does not have a policy to address this risk. As all funds of the District are maintained by the County, the District relies on the County to mitigate this risk.

**NOTES TO THE FINANCIAL
STATEMENTS**
June 30, 2013

*Shasta Mosquito and
Vector Control District*

4. CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2013:

	Balance June 30, 2012	Additions	Transfers	Balance June 30, 2013
NONDEPRECIABLE CAPITAL ASSETS				
Land	\$ 51,273	\$ -	\$ -	\$ 51,273
DEPRECIABLE CAPITAL ASSETS				
Building and improvements	\$ 1,256,712	\$ 59,878	\$ -	\$ 1,316,590
Furniture and equipment	501,885	-	-	501,885
Vehicles	535,397	22,974	-	558,371
Total Depreciable Capital Assets	2,293,994	82,852	-	2,376,846
Less: Accumulated depreciation	1,578,202	101,896	-	1,680,098
Total Depreciable Assets - Net	\$ 715,792	\$ (19,044)	\$ -	\$ 696,748

5. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2013:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013	Due Within One Year
Compensated absences	\$ 115,037	\$ 114,672	\$ 105,188	\$ 124,521	\$ 14,391

Compensated Absences

Compensated absences represents accumulated vacation leave, sick leave, and compensatory time earned by District employees. The District does not consider that these amounts will be paid with current resources unless an employee has given notice of planned resignation/retirement. As of June 30, 2013, there was one employee who had given notice of retirement, therefore, there is a liability for compensated absences included in the General Fund at June 30, 2013. The remaining amount is included in the entity-wide statement of net assets as a long-term liability.

6. RETIREMENT PLAN

CalPERS requires all government entities with less than 100 active members to participate in a risk pool. Accordingly, the District participates in a "cost-sharing" pool within CalPERS.

Plan Descriptions and Provisions

All full-time employees participate in CalPERS, an agent multiple-employer contributory public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California. The District is part of a "cost-sharing" pool within CalPERS.

Employees are eligible for retirement as early as age 50 with five years of service. At age 55, the employee is entitled to a monthly benefit of 2.0% of final compensation for each year of service credit.

Retirement after age 55 will increase the percentage rate to a maximum of 2.418% at age 63. The plan also provides death and disability benefits. Retirement benefits fully vest after five years of credited service. Upon separation from the fund, members' accumulated contributions are refundable with interest credited through the date of separation.

The Public Employees' Retirement Law (Part 3 of the *California Government Code*, Section 20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from CalPERS, 400 Q Street, Sacramento, California 95811.

Funding Policy

Active plan members are required to contribute 7.0% of their annual covered salary. Currently, the District pays employee contribution amounts.

The District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The District's employer contribution rate for the current year was 16.755%.

The contribution requirements of the plan members are established by state statutes. The District's contributions to CalPERS for the fiscal years ended June 30, 2013, 2012, and 2011, were \$149,643, \$149,687, and \$132,213, respectively, and equaled 100% of the required contribution for each year.

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The District contracts for healthcare for its active and retired employees under the Public Employee Medical Hospital Care Act (PEMHCA) (the Plan). The Plan provides lifetime healthcare insurance for eligible employees and their eligible family members through the District's group insurance plan which covers both active and retired members. Benefit provisions are established and may be amended by the District's Board of Trustees as authorized by bylaws. The Plan provides for the District to contribute between 75 and 100% of the cost of health insurance premiums for retirees and their eligible family members. The Plan does not issue a publicly available report.

Currently, the District has six active full-time employees who have attained retirement age and are eligible for postretirement health benefits and four retirees who receive postretirement health benefits. Additionally, the District has nine active full-time employees who could become eligible to receive postretirement health benefits if they continue to work at the District until retirement age.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers with plans that have fewer than 100 total members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 121,861
Interest on net OPEB obligation	(861)
Adjustment to annual required contribution	1,011
Annual OPEB Cost	122,011
Contributions	109,198
Change in Net OPEB (Obligation)/Asset	(12,813)
Net OPEB (Obligation)/Asset - Beginning of Year	11,315
Net OPEB (Obligation)/Asset - End of Year	\$ (1,498)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2013, 2012, and 2011, were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contributions</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB (Obligation)/ Asset</u>
June 30, 2011	\$ 98,980	\$ 100,313	101.00%	\$ 9,060
June 30, 2012	\$ 98,980	\$ 101,235	102.00%	\$ 11,315
June 30, 2013	\$ 122,011	\$ 109,198	90.00%	\$ (1,498)

Funding Policy, Funded Status, and Funding Progress

The contribution requirements are established and may be amended by the District. The District contributes between 75 and 100% of the cost of current-year premiums for eligible retired Plan members and their eligible family members depending on the date of hire. For fiscal year 2013, the District contributed \$109,198 to the Plan.

**NOTES TO THE FINANCIAL
STATEMENTS**
June 30, 2013

*Shasta Mosquito and
Vector Control District*

The Districts funding status information is illustrated as follows:

	<u>July 1, 2009</u>	<u>July 1, 2011</u>
Actuarial accrued liability (AAL)	\$ 875,953	\$ 1,153,842
Actuarial value of plan assets	<u>130,221</u>	<u>357,763</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$ 745,732	\$ 796,079
Funded ratio (actuarial value of plan assets/AAL)	<u>14.87%</u>	<u>31.00%</u>
Covered payroll (active members)	<u>\$ 876,785</u>	<u>\$ 915,360</u>
UAAL as a Percentage of Covered Payroll	85.05%	86.97%

As of June 30, 2013, the District has set aside approximately \$444,242 in an external trust fund and the fair value of the trust fund as of June 30, 2013, was approximately \$560,238.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of future events far into the future. Amounts determined regarding the funded status of a plan and the employer's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following simplifying assumptions were made:

Assumptions About Employees and Members: Based on the historical average retirement age of the covered group, active plan members were assumed to retire at age 60 or the first year thereafter in which the member would qualify for benefits. Marital status as of the calculation date was assumed to continue throughout retirement. Life expectancy was based on mortality tables published by CalPERS. The probability of remaining employed until the assumed retirement age and employees' expected future working lifetimes were developed using CalPERS tables.

Assumptions About Healthcare Costs: The 2011 health insurance premiums for retirees were used to calculate the present value of total benefits to be paid. The expected rate of increase in health insurance premiums initially used a select rate of 8%, with reduction to the ultimate rate of 4.5% after seven years.

Other Assumptions and Methods: The inflation rate was assumed to be 2.50%. A simplified version of the entry age actuarial cost method was used in the actuarial valuation. The UAAL is amortized over a 30-year period as a level percent of projected payroll on an open basis. Payroll was assumed to grow over the long-term at the same rate as inflation.

8. SELF-INSURANCE

The District is a member of the Vector Control Joint Powers Agency (the JPA) for the purpose of providing a pooling plan for member districts to provide their own workers' compensation and liability insurance.

Under the agreement, the District has a self-insured retention under the workers' compensation plan of \$10,000 and excess insurance coverage to the statutory limit. The liability fund provides for a self-insured retention of \$2,500 and excess insurance coverage to \$10,000,000. The premiums billed by the JPA to member districts are planned to match the expenses of the self-insurance as well as the cost of providing the excess layer coverage and the cost of administering the plans.

The District uses the general fund method to account for the cost of self-insurance. While the ultimate amount of the costs of self-insurance through June 30, 2013, is dependent on future developments, District management believes that the aggregate premiums paid to the JPA are adequate to cover the District's losses through June 30, 2013, including incurred but not reported losses.

Total premiums paid to the JPA during the fiscal year ended June 30, 2013, totaled \$39,326 and \$40,006, respectively, for workers' compensation and liability insurance. Losses paid under either program during the fiscal year were not in excess of self-insured retention amount paid in prior years.

VCJPA's audited condensed financial information for the year ended June 30, 2013, is presented below:

Total Assets	<u>\$ 12,845,269</u>
Total liabilities	\$ 7,928,378
Equity	<u>4,916,891</u>
Total Liabilities and Equity	<u>\$ 12,845,269</u>
Total revenue	\$ 3,856,005
Total expenditures	<u>4,127,863</u>
Net Increase in Equity	<u>\$ (271,858)</u>

The cash balance includes \$729,439 of the excess reserves held by the JPA.

9. COMMITTED FUND BALANCE

The committed fund balance as of June 30, 2013, consisted of the following:

Public Health Emergency Fund	\$ 225,000
Facility Improvement Fund	150,000
Bio-Control Development Fund	25,000
Existing Facilities Renovation Fund	87,000
Fixed Asset Replacement Fund	29,000
IT Equipment Replacement Fund	34,500
Revenue Stabilization Fund	43,477
Total	\$ 593,977

10. CHANGE IN ACCOUNTING PRINCIPLES

The District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective July 1, 2012. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The District has implemented this reporting for the year ended June 30, 2013. The components of net position were renamed to reflect the requirements of this statement. There was no effect on net position.

REQUIRED SUPPLEMENTARY INFORMATION SECTION

**STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN
FUND BALANCE – BUDGET AND
ACTUAL – GENERAL FUND**

*Shasta Mosquito and
Vector Control District*

<u>Year Ended June 30, 2013</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Taxes	\$ 1,052,700	\$ 1,052,700	\$ 1,348,379	\$ 295,679
Charges for current services	1,152,388	1,152,388	1,125,510	(26,878)
Homeowners property tax relief	19,000	19,000	15,590	(3,410)
Use of money and property	15,000	15,000	14,772	(228)
Other revenue	3,400	3,400	15,995	12,595
Total Revenues	<u>2,242,488</u>	<u>2,242,488</u>	<u>2,520,246</u>	<u>277,758</u>
EXPENDITURES				
Current:				
Salaries and benefits	1,661,720	1,625,720	1,664,700	(38,980)
Service and supplies	755,768	655,768	767,040	(111,272)
Utilities	16,000	16,000	15,890	110
Capital outlay	-	86,000	82,852	3,148
Total Expenditures	<u>2,433,488</u>	<u>2,383,488</u>	<u>2,530,482</u>	<u>(146,994)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	23,000	86,000	222,000	(136,000)
Excess (Deficiency) of Revenues and Transfers In Over (Under) Expenditures and Transfers Out	<u>\$ (168,000)</u>	<u>\$ (55,000)</u>	211,764	<u>\$ 266,764</u>
Fund Balance - Beginning of Year			<u>2,625,362</u>	
Fund Balance - End of Year			<u>\$ 2,837,126</u>	

See the accompanying note to the required supplementary information.

**NOTE TO THE REQUIRED
SUPPLEMENTARY INFORMATION**
June 30, 2013

*Shasta Mosquito and
Vector Control District*

BASIS OF BUDGETING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Revenues are estimated and annual appropriations are adopted. All annual appropriations lapse at fiscal year-end.

The District's governing board approves a tentative budget no later than August 31, and adopts a budget no later than September 30, of each fiscal year. A public hearing is conducted to receive comments prior to adoption. The budget is modified throughout the year to allow for unanticipated income and expenditures. The final revised budget is presented in the financial statements.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2013, expenditures exceeded appropriations by \$146,994 primarily due to overexpenditures on salaries and benefits and services and supplies. These expenditures were funded by additional tax revenue received and transfers from the JPA.

OTHER REPORT SECTION

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**



**MATSON
& ISOM**

To the Board of Trustees
Shasta Mosquito and Vector Control District
Anderson, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Shasta Mosquito and Vector Control District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 8, 2014.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

Continued

Purpose of this Report

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

Matson and Isom

October 8, 2014
Redding, California

FINDINGS SECTION

SCHEDULE OF FINDINGS

June 30, 2013

*Shasta Mosquito and
Vector Control District*

SECTION I FINDINGS

FINANCIAL STATEMENTS AUDIT

None.