

**SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2010 and 2009**

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT

BOARD OF TRUSTEES

at

June 30, 2010

<u>Board Members</u>	<u>Title</u>
Larry Mower	President
Bob Michiels	Vice President
Henry Hurlhey	Secretary
Gary Hergert	Member
John Dunlap	Member

DISTRICT MANAGER

at

June 30, 2010

Peter Bonkrude

TABLE OF CONTENTS

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
Statement of Net Assets	11
Statement of Activities	12
Balance Sheet - Governmental Funds	13
Statement of Revenues, Expenditures, and Changes in Fund Balance	14-15
Reconciliation of Governmental Fund Operating Statements and the Statement of Activities	16
Notes to the Financial Statements	17-27
Required Supplemental Information:	28
General Fund Budgetary Comparison Schedule	29-30
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General-purpose Financial Statements Performed in Accordance with <i>Government</i> <i>Auditing Standards</i>	31-32

Donald R. Reynolds

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Shasta Mosquito and Vector Control District
Redding, California

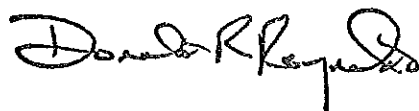
I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining information of Shasta Mosquito and Vector Control District (the District), as of and for the year ended June 30, 2010 and 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2010 and 2009, and their respective changes in financial position, where applicable, there of for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 9, 2010, on our consideration of the District's internal control over financial reporting and on my 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 result 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 should be considered in assessing the results of my audit.

The management's discussion and analysis and the required supplementary information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

A handwritten signature in black ink, appearing to read "Donald R. Reynolds". The signature is fluid and cursive, with a large initial "D" and a stylized "R".

Donald R. Reynolds
Certified Public Accountant
November 9, 2010

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT

District Manager- Peter A. Bonkrude
19200 Latona Road, Anderson, CA 96007
Telephone: (530) 365-3768 Fax: (530) 365-0305
Email: contact@shastamosquito.org
Web: shastamosquito.org

Management's Discussion and Analysis

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 activity for the year ended June 30, 2010. Please read it in conjunction with the Report of the Independent Auditor and the District's 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 District exceeded liabilities at the close of Fiscal Year (FY) 2009-2010 by \$4,258,722 (net assets). Of this amount, \$2,131,336 may be used to meet the District's ongoing obligations.
- The District had capital asset additions of \$79,730, and depreciation of \$69,032.
- The District's total net assets increased by \$297,599.
- Revenues decreased by \$87,724, expenses decreased by \$8,407 as compared to last year.
- Fund balance increased by \$356,021 for the year ended June 30, 2010.

Overview of this Annual Report

This annual report includes the Independent Auditor's Report, 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.

Government-wide financial Statements

Government-wide financial statements are designed to provide readers with a broad overview of the District's finances, using accounting methods similar to those of private-sector business. These statements provide both long-term and short-term information about the District's overall financial status.

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

The *Statement of Activities* presents information on how net assets changed during the fiscal year. All of the current year's revenues and expenses, regardless of when cash is received or paid, are accounted for in the *Statement of Activities*. 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 government-wide financial statements can be found on pages X-X of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

A fund is a familiar grouping of related accounts that are used to keep track of specific sources of funding and spending for particular purposes. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The District uses *governmental funds* to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental funds financial statements focus on the shorter-termed financial inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

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

The fund financial statements and related reconciliations can be found on pages X-X of this report.

Noted to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements. The notes to the financial statements can be found on pages X-x of this report.

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 off as a result of this year's activities?" The Statement of Net Assets 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 assets of the District and the changes in them. One can think of the District's net assets, which is the difference between assets and liabilities, as one way to measure financial health or financial position. Over time, an increase or decrease in the District's net assets is one indicator of whether its financial health is improving or deteriorating. However, it is important to note that other non-financial factors such as changes in economic conditions, population growth, and new or changed government legislation can dramatically influence the net assets. Key elements of the financial statements mentioned above are focused on the net assets (Table 1) and activities (Table 2).

Table 1

Statement of Net Assets
(in millions)

		Governmental Activities			
		6/30/2010	6/30/2009	Change	
<u>Assets</u>					
	Cash and Investments	\$ 1.82	\$ 1.55	\$	0.3
	Other Current Assets	\$ 1.81	\$ 1.71	\$	0.1
	Capital Assets net accumulated depreciation	\$ 0.78	\$ 0.84	\$	(0.06)
Total Assets		\$ 4.4	\$ 4.1	\$	0.3
<u>Liabilities</u>					
	Current Liabilities	\$ 0.15	\$ 0.13	\$	0.3
Total Liabilities		\$ 0.15	\$ 0.13	\$	0.3
<u>Net Assets</u>					
	Invested in Capital Assets	\$ 0.78	\$ 0.84	\$	(0.06)
	Restricted	\$ 1.4	\$ 1.2	\$	0.2
	Unrestricted	\$ 2.1	\$ 2.0	\$	0.2
Net Assets		\$ 4.3	\$ 4.0	\$	0.3

As can be seen in Table 1, net assets increased \$0.3 million to \$4.3 million at 6/30/10. The increase in assets of \$0.3 million includes a \$0.3 million increase in cash and investments, a \$0.2 million increase in Restricted assets-cash, a \$0.1 million increase offset by \$0.04 million decrease in capital assets, \$0.04 million decrease in accounts receivable and an overall decrease in liabilities of \$0.03 million.

While the statement of Net Assets shows changes in financial position, the Statement of Activities provides answers as to the nature and source of these changes. As can be seen in Table 2, the change in net assets in the current year is the result of excess revenues over expenses.

Table 2

Statement of Activities and Changes in Net Assets (in millions)

		<u>6/30/2010</u>	<u>6/30/2009</u>	<u>Change</u>
Program Revenues		\$ 1.2	\$ 1.1	\$ 0.1
Program Expenses		\$ 2.0	\$ 2.3	\$ (0.3)
Net (Expense)/Revenue		\$ (0.88)	\$ (1.11)	\$ (0.23)
General Revenue:	Property Taxes	\$ 1.1	\$ 1.2	\$ (0.1)
	Investment Income	\$ 0.05	\$ 0.12	\$ (0.07)
	Miscellaneous	\$ (0.01)	\$ 0.02	\$ (0.03)
	Total General Revenue	\$ 1.17	\$ 1.34	\$ (0.17)
Increase in Net Assets		\$ 0.3	\$ 0.2	\$ 0.1
Net Assets-Beginning		\$ 4.0	\$ 3.6	\$ 0.4
	Prior Period Adjustments	\$ -	\$ -	\$ -
Net Assets-Ending		\$ 4.3	\$ 3.8	\$ 0.5

The District's 2009/10 program revenues decreased by \$0.13 million when compared to 2008/09. This reduction in over \$100,000 is likely attributed to a 3% decrease in property taxes and the suspension of proposition 1A by the CA state Government. Program expenses in the fiscal year 2009/10 decreased by only \$8,407 to \$2.3 million. The decrease is a result of requiring less pesticide (Agriculture) purchases, due to a reduced adult mosquito season.

Detailed Governmental Activities

Following is a comparison of revenues and expenses for governmental activities. It includes revenues from the District's benefit assessment and general property tax revenues.

Revenues:

	FYE 6/30/10 Amount	Percent of Total	Increase/(Decrease) from FYE 6/30/09	% Increase/(Decrease)
<u>Current year</u>				
Property Taxes	\$ 1,062,132	44.1%	\$ (27,596.00)	(3%)
Supplemental Taxes	\$ 5,458	0.2%	\$ (25,559.00)	(82%)
Supplemental Secured Taxes	\$ -	0.0%	\$ -	
Unsecured Property Taxes	\$ 52,689	2.2%	\$ 591.00	1%
<u>Prior year</u>				
Supplemental Secured Taxes	\$ -	0.0%	\$ -	
Supplemental Taxes	\$ 234	0.0%	\$ 104.00	80%
Unsecured Property Taxes	\$ 1,335	0.1%	\$ 568.00	74%
Homeowners' Property Tax Relief	\$ 19,735	0.8%	\$ (159.00)	(1%)
District Benefit Assessment *	\$ 1,066,464	44.3%	\$ 91,261.00	9%
District Annexation Fees	\$ -	0.0%	\$ -	
Interest	\$ 40,888	1.7%	\$ (78,430.00)	(66%)
Charges for Services *	\$ 97,320	4.0%	\$ (74,532.00)	(43%)
State Grant	\$ -	0.0%	\$ -	
Sale of Fixed Assets	\$ 50,227	2.1%	\$ 26,989.00	116%
Other Revenues	\$ 10,195	0.4%	\$ (961.00)	(9%)
Total Revenues	\$ 2,406,677	100.0%	\$ (87,724.00)	(4%)

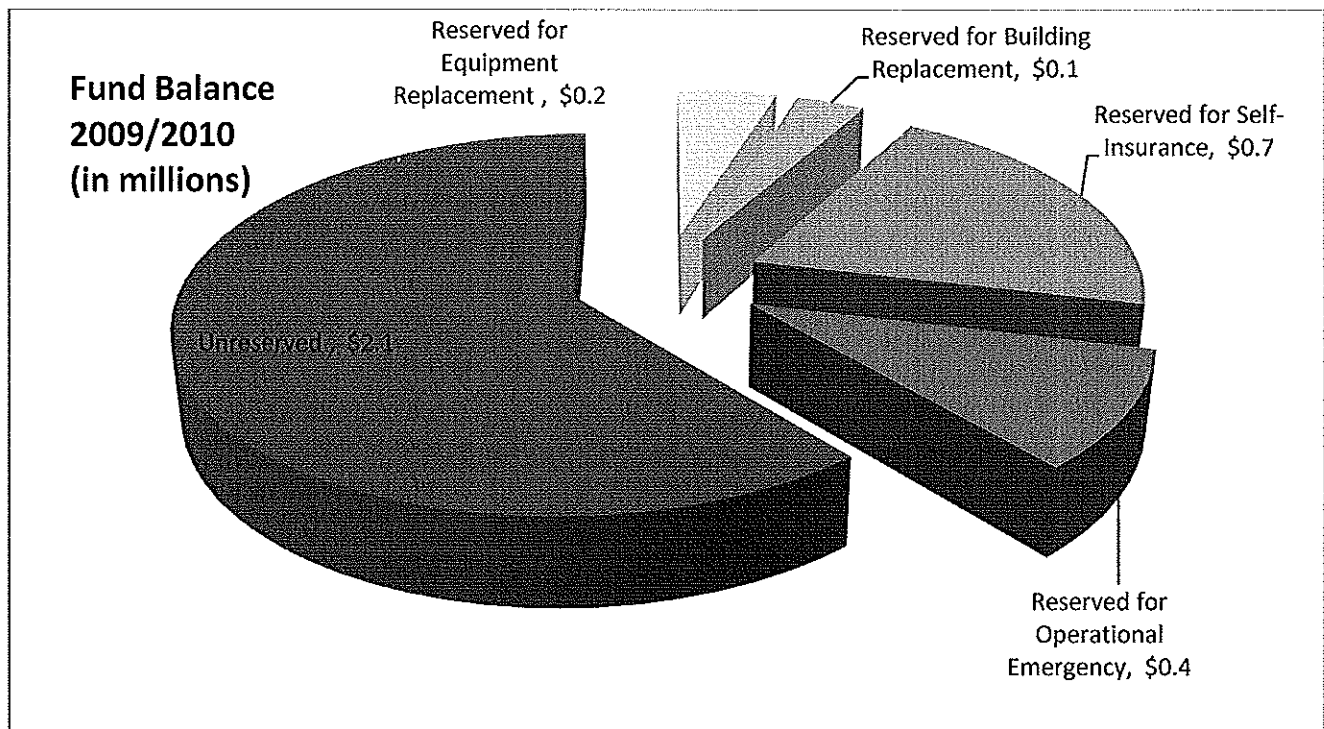
* Prior to the 2009-2010 Audit, Financial statements were accounting for Benefit Assessment 2 under charges for services.

Expenditures:

	FYE 6/30/10 Amount	Percent of Total	Increase/(Decrease) from FYE 6/30/09	% Increase/(Decrease)
Salaries and Employee Benefits	\$ 1,336,071	65.2%	\$ 28,325	2%
Clothing and Personal Supplies	\$ 5,507	0.3%	\$ 1,657	43%
Agriculture	\$ 215,868	10.5%	\$ (75,222)	(26%)
Communications	\$ 8,254	0.4%	\$ 1,676	25%
Household Expense	\$ 12,066	0.6%	\$ 57	0%
Insurance	\$ 41,044	2.0%	\$ 8,143	25%
Maintenance-Equipment	\$ 34,622	1.7%	\$ (8,266)	(19%)

Maintenance-Structures and Grounds	\$	16,235	0.8%	\$	(5,718)	(26%)
Medical and Laboratory Supplies	\$	2,990	0.1%	\$	2,779	(1317%)
Memberships	\$	12,569	0.6%	\$	(955)	(7%)
Miscellaneous Expense	\$	115	0.0%	\$	(824)	(88%)
Office Expense	\$	5,634	0.3%	\$	(591)	(9%)
Professional and Specialized Services	\$	131,105	6.4%	\$	(5,801)	(4%)
Rents-Equipment	\$	519	0.0%	\$	(1,855)	(78%)
Rents-Structures	\$	1,145	0.1%	\$	550	92%
Small Tools and Instruments	\$	30,239	1.5%	\$	9,067	43%
Gasoline	\$	23,070	1.1%	\$	(7,619)	(25%)
Transportation and Travel	\$	23,470	1.1%	\$	12,119	107%
Utilities	\$	12,880	0.6%	\$	1,155	10%
Contribution to LAFCO	\$	6,380	0.3%	\$	(165)	(3%)
Software	\$	2,155	0.1%	\$	2,114	5156%
Special Departmental Expenses	\$	6,010	0.3%	\$	(2,605)	(30%)
Property Tax Administration Fee	\$	32,509	1.6%	\$	2,491	8%
Capital Outlay	\$	90,199	4.4%	\$	31,081	53%
Total Expenditures	\$	2,050,656	100.0%	\$	(8,407)	0%

Fund Financial Analysis

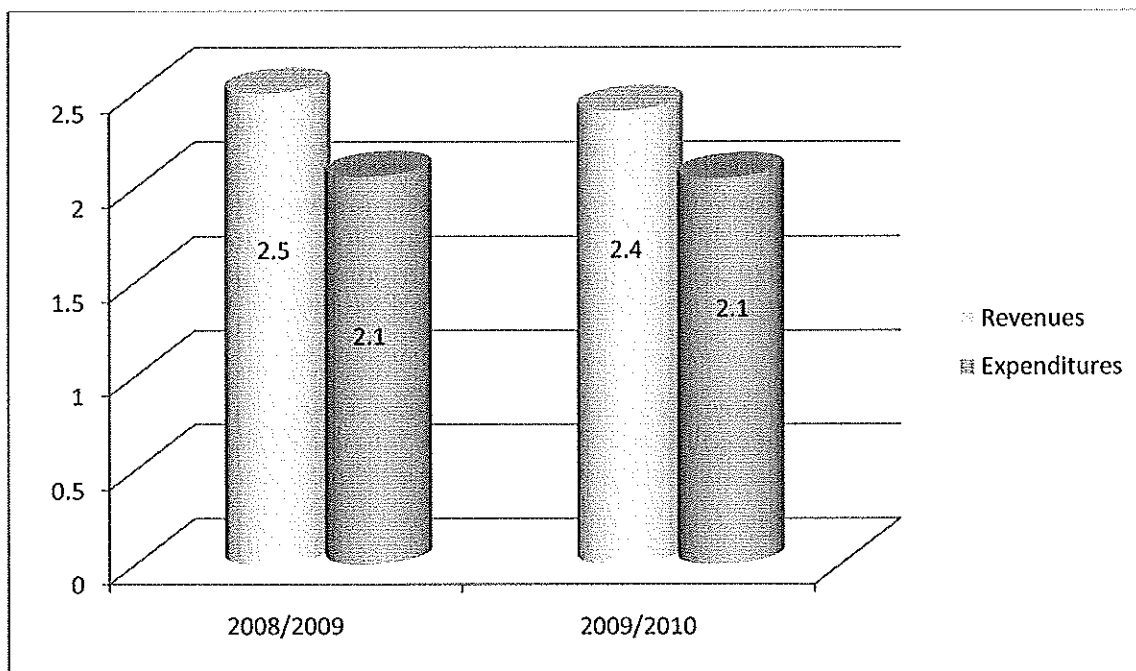


As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, *fund balance* may serve as a useful measure of the District's net resources available for spending for program purposes at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds, reported total liabilities and fund balance of \$3.6 million. Of this, \$2.1 million is unreserved and represents spendable resources. The two major sources of these spendable resources are property taxes and benefit assessments. Fund balance primarily represents the accumulation of property taxes and benefit assessments in excess of expenditures.

Table 3

Revenue and Expenditures
Governmental Funds (in millions)



Changes in revenues occurred in these areas: property taxes, benefit assessment, and interest. In 2009/10 the largest change in revenue came from the suspension of Prop 1A which diverted 8% of the ad valorem tax from the District. In addition, a decrease in direct charge services, interest revenue and other revenue accounted for a cumulative decrease of \$0.12 million. This was offset by slight revenue increases in the District benefit assessment.

Capital Assets

As can be seen in Table 4, as of June 30, 2010, the District has \$0.78 million invested in capital assets (net of accumulated depreciation). Changes in capital assets over the previous year include the decrease in capital asset class Vehicles.

Table 4
Capital Assets (in millions)

		<u>6/30/2010</u>		<u>6/30/2009</u>		<u>Change</u>
Furniture and Equipment	\$	0.37	\$	0.36	\$	0.01
Buildings and Improvements	\$	1.26	\$	1.26	\$	-
Vehicles	\$	0.56	\$	0.60	\$	(0.03)
Land (Not Being Depreciated)	\$	0.05	\$	0.05	\$	-
	\$	2.24	\$	2.26	\$	(0.02)
<hr/>						
Accumulated Depreciation	\$	(1.46)	\$	(1.43)	\$	0.03
<hr/>						
Net Depreciable Assets	\$	0.73	\$	0.78	\$	(0.06)
Net Capital Assets	\$	<u>0.78</u>	\$	<u>0.84</u>	\$	<u>(0.06)</u>

This financial report is designed to provide the District's constituents, stakeholders, and creditors 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 office at 19200 Latona Road, Anderson, California, 96007.

Peter Bonkrude
District Manager

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2010 and 2009

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund Types</u>	<u>Fund Types</u>
ASSETS		
<u>Current assets:</u>		
Cash in Treasury and on hand	\$ 1,819,451	\$ 1,554,805
Accounts receivable	178,502	68,330
Interest receivable	-	13,436
Prepaid expenses	-	-
Restricted assets - cash	1,631,767	1,623,945
Due from other governments	-	-
Total current assets	<u>3,629,720</u>	<u>3,260,516</u>
<u>Noncurrent assets:</u>		
Capital assets:		
Land	51,273	51,273
Building and improvements	1,256,712	1,256,712
Furniture and equipment	368,865	359,077
Vehicles	562,441	596,107
Total capital assets	2,239,291	2,263,169
Accumulated Depreciation	<u>(1,462,148)</u>	<u>(1,427,604)</u>
Total noncurrent assets	<u>777,143</u>	<u>835,565</u>
Total assets	<u>\$ 4,406,863</u>	<u>\$ 4,096,081</u>
LIABILITIES		
<u>Current liabilities:</u>		
Accounts payable	\$ 19,901	\$ 19,394
Accrued payroll and benefits	-	-
Accrued compensated absences	128,240	115,563
Total current liabilities	<u>148,141</u>	<u>134,957</u>
Total liabilities	<u>148,141</u>	<u>134,957</u>
NET ASSETS		
Investment in capital assets, net of related debt	777,143	835,565
Restricted for equipment replacement	168,674	168,674
Restricted for building replacement	117,908	117,908
Restricted for self-insurance	713,196	529,622
Restricted for emergency	350,465	350,465
Unrestricted	2,131,336	1,958,890
Total net assets	<u>4,258,722</u>	<u>3,961,124</u>
Total liabilities and net assets	<u>\$ 4,406,863</u>	<u>\$ 4,096,081</u>

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

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
STATEMENT OF ACTIVITIES
June 30, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)/ Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
General government:				
General government	\$ 2,039,958	\$ 1,163,784	\$ -	\$ (876,174)
Total general government	<u>2,039,958</u>	<u>1,163,784</u>	<u>-</u>	<u>(876,174)</u>
 Change in Net Assets				
			<u>Governmental Activities</u>	<u>Total</u>
Net (expense)/revenue			(876,174)	(876,174)
General revenues:				
Taxes:				
Property taxes			1,141,583	1,141,583
Investment income			40,888	40,888
Miscellaneous			(8,698)	(8,698)
Total general revenues			<u>1,173,773</u>	<u>1,173,773</u>
 Change in Net Assets			297,599	297,599
 NET ASSETS				
Beginning of the year			<u>3,961,123</u>	<u>3,961,123</u>
Prior period adjustments			-	-
Restated beginning net assets			<u>3,961,123</u>	<u>3,961,123</u>
NET ASSETS				
End of the year			\$ <u>4,258,722</u>	\$ <u>4,258,722</u>

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

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2010 and 2009

	<u>June 30, 2010</u>		<u>June 30, 2009</u>
	<u>General</u>	<u>Totals</u>	<u>Totals</u>
	<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
ASSETS			
Cash in Treasury and on hand	\$ 1,819,451	\$ 1,819,451	\$ 1,554,805
Accounts receivable	178,502	178,502	68,330
Interest receivable	-	-	13,436
Prepaid expenses	-	-	-
Restricted assets - cash	1,631,767	1,631,767	1,623,945
Due from other governments	-	-	-
Total assets	\$ <u>3,629,720</u>	\$ <u>3,629,720</u>	\$ <u>3,260,516</u>
LIABILITIES			
Accounts payable	\$ 19,901	\$ 19,901	\$ 19,394
Accrued payroll and benefits	-	-	-
Accrued compensated absences	128,240	128,240	115,563
Total liabilities	<u>148,141</u>	<u>148,141</u>	<u>134,957</u>
FUND BALANCES			
Reserved:			
Reserved for equipment replacement	168,674	168,674	168,674
Reserved for building replacement	117,908	117,908	117,908
Reserved for self-insurance	713,196	713,196	529,622
Reserved for emergency	350,465	350,465	350,465
Unreserved	<u>2,131,336</u>	<u>2,131,336</u>	<u>1,958,889</u>
Total fund balance	<u>3,481,579</u>	<u>3,481,579</u>	<u>3,125,558</u>
Total liabilities and fund balances	\$ <u>3,629,720</u>	\$ <u>3,629,720</u>	\$ <u>3,260,515</u>

Amounts reported for governmental activities in the Statement
of Net Assets are different because:

Capital assets unused in governmental activities are not financial resources
and therefore are not reported in the funds, net of accumulated
depreciation of \$ 1,334,971.

\$ 777,143 \$ 835,565

Net assets of governmental activities

\$ 4,258,722 \$ 3,961,123

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010 and 2009

	<u>June 30, 2010</u>		<u>June 30, 2009</u>
	<u>General Fund</u>	<u>Total Governmental Fund</u>	<u>Total Governmental Fund</u>
REVENUES:			
Taxes			
Current year:			
Property taxes	\$ 1,062,132	\$ 1,062,132	\$ 1,089,728
Supplemental taxes	5,458	5,458	31,017
Supplemental secured taxes	-	-	-
Unsecured property taxes	52,689	52,689	52,098
Prior year:			
Supplemental secured taxes	-	-	-
Supplemental taxes	234	234	130
Unsecured property taxes	1,335	1,335	767
Homeowners' property tax relief	19,735	19,735	19,894
District benefit assessment	1,066,464	1,066,464	975,203
District annexation fees	-	-	-
Interest	40,888	40,888	119,318
Charges for services	97,320	97,320	171,852
State grant	-	-	-
Sale of fixed assets	50,227	50,227	23,238
Other revenue	10,195	10,195	11,156
Total revenues	<u>2,406,677</u>	<u>2,406,677</u>	<u>2,494,401</u>
EXPENDITURES:			
Current:			
Salaries and employee benefits	1,336,071	1,336,071	1,307,746
Agriculture	215,868	215,868	291,090
Clothing and personal supplies	5,507	5,507	3,850
Communications	8,254	8,254	6,578
Household expense	12,066	12,066	12,009
Insurance	41,044	41,044	32,901
Maintenance - equipment	34,622	34,622	42,888
Maintenance - structures and grounds	16,235	16,235	21,953
Medical and laboratory supplies	2,990	2,990	211
Memberships	12,569	12,569	13,524
Miscellaneous expense	115	115	939
Office expense	5,634	5,634	6,225

(Continued on the following page)

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

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE, BUDGET VS. ACTUAL, ALL GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2010 and 2009

	<u>June 30, 2010</u>		<u>June 30, 2009</u>
	<u>General Fund</u>	<u>Total Governmental Fund</u>	<u>Total Governmental Fund</u>
Professional and specialized services	131,105	131,105	136,906
Rents - Equipment	519	519	2,374
Rents - Structures	1,145	1,145	595
Small tools and instruments	30,239	30,239	21,172
Gasoline	23,070	23,070	30,689
Transportation and travel	23,470	23,470	11,351
Utilities	12,880	12,880	11,725
Contribution to LAFCO	6,380	6,380	6,545
Software	2,155	2,155	41
Special department expenses	6,010	6,010	8,615
Property tax administration fee	32,509	32,509	30,018
Capital outlay	90,199	90,199	59,118
Total Expenditures	<u>2,050,656</u>	<u>2,050,656</u>	<u>2,059,063</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	356,021	356,021	435,338
FUND BALANCE, Beginning of the year	<u>3,125,558</u>	<u>3,125,558</u>	<u>2,690,220</u>
Prior period adjustments	-	-	-
Restated beginning fund balance	<u>3,125,558</u>	<u>3,125,558</u>	<u>2,690,220</u>
FUND BALANCE, End of the year	<u>\$ 3,481,579</u>	<u>\$ 3,481,579</u>	<u>\$ 3,125,558</u>

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

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND
OPERATING STATEMENTS AND THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010 and 2009

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Reconciliation of the change in fund balances - Total Governmental Funds to the change in net assets of governmental activities		
Net change in fund balances - Total Governmental Funds	\$ 356,021	\$ 270,810
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the estimated useful life of the assets:		
Net book value of assets disposed	(69,120)	(11,461)
Capital assets purchases capitalized	79,730	59,118
Depreciation expense	<u>(69,032)</u>	<u>-</u>
Change in Net Assets of Governmental Activities	\$ <u>297,599</u>	\$ <u>318,467</u>

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

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Shasta Mosquito and Vector Control District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. REPORTING ENTITY

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities.

Based upon the application of these criteria, there are no potential component units to be included in the District's reporting entity.

B. FUND ACCOUNTING AND GOVERNMENT-WIDE STATEMENTS

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts.

The general activities of Shasta Mosquito and Vector Control District are classified as general fund activities, accounting for most of the operations of the District.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on the District activities as a whole. For the most part, the effect of inter-fund activity has been removed from these statements. The District only uses governmental activities, which normally are supported by taxes and intergovernmental revenues.

(Continued on following page)

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenues included charges for services provided. Other items not properly included among program revenues are reported instead as general revenues.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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. Property taxes, and charges for services are recognized as revenues in the year for which they are collected.

The modified basis of accounting is used by all governmental fund types. 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 collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. A 90 day availability period is used for revenue recognition for all governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Those revenues susceptible to accrual are Property taxes, charges for services, and interest revenue.

The District can report deferred revenue on its balance sheet. Deferred revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. When both revenue recognition criteria are met, or when the District has legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Net assets are reported as restricted when constraints placed on net assets use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through enabling legislation.

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

D. CASH AND INVESTMENTS

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the District.

(Continued on following page)

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. CASH AND INVESTMENTS - (Continued)

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

Investments are stated at cost or amortized cost.

E. PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid assets.

F. CAPITAL ASSETS

Capital assets purchased by governmental funds are recorded at historical cost or estimated historical cost when original cost is not available. Donated capital assets are recorded at market value on the date donated. Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets varies from 5 years to 39 years.

G. BUDGETARY DATA

Annual budgets are adopted on a basis which differs from Generally Accepted Accounting Principles (GAAP) in that encumbrances are treated as budgeted expenditures in the year in which the commitment to purchase is incurred. At June 30, 2010, the District had no encumbrances outstanding, resulting in a budgetary basis consistent with GAAP in all material respects for the current fiscal year end.

H. COMPENSATED ABSENCES

Vested or accumulated sick leave and vacation pay is recorded as an expense and liability as the benefits accrue to employees. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, "Accounting for Compensated Absences," no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. The following amounts to be paid with current resources are reflected on the accompanying balance sheet at June 30, 2010:

Vacation pay and	
Compensating time off	\$ <u>128,220</u>

(Continued on following page)

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

I. TAX REVENUES

The County of Shasta assesses, bills, and collects property taxes for the District. The County property tax is levied each November 1st on the assessed valuation of property located in the County as of the preceding lien date (March 1). Taxes are receivable in two equal installments which become delinquent the first working day after December 10th and April 10th.

J. ALLOWANCE FOR DOUBTFUL ACCOUNTS

An allowance for doubtful accounts is maintained based upon experience. At June 30, 2010 no accounts were deemed to be uncollectible.

K. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of 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 these estimates.

L. NET ASSETS

Net assets is the difference between assets and liabilities. Net assets invested in capital assets are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by the District or external restrictions by other governments, creditors or grantors.

NOTE 2 DEPOSITS AND INVESTMENTS

DEPOSITS

At June 30, 2010 and 2009, the carrying amount of the District's cash balance was \$3,451,218 and \$3,178,750 respectively. The balance was deposited with the treasury of the County of Shasta and the Vector Control JPA. The following reflects the District's cash balances at June 30, 2010:

(Continued on following page)

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009

NOTE 2 DEPOSITS AND INVESTMENTS - (Continued)

DEPOSITS - (Continued)

Cash in County Treasury:	
Petty Cash	\$ 200
Unrestricted cash	1,819,251
Board restricted cash	<u>918,570</u>
Total cash in County Treasury	2,738,021
 Cash held by Vector Control Joint Powers Authority:	
Board restricted cash	<u>713,197</u>
(Equal to market value, Cash balances only covered by Federal Depository Insurance.)	
Total Cash	<u><u>\$ 3,451,218</u></u>

NOTE 3 RETIREMENT PLAN

A. Plan Description: The District's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Plan is part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions, as well as other requirements, are established by State statutes within the Public Employees' Retirement Law. The District selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through Board action. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office - 400 P Street - Sacramento, CA 95814.

B. Funding Policy: Active plan members in the Plan are required to contribute 7.00% of their annual covered salary. The District is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal 2009/10 was 14.461%. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

(Continued on following page)

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009

NOTE 3 RETIREMENT PLAN (Continued)

C. Annual Pension Cost: For fiscal year 2009/10, the District's annual pension cost was \$58,047 and the District actually contributed 58,047. The required contribution for fiscal year 2008/09 was determined as part of the June 30, 2009 actuarial valuation using the entry-age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses); (b) projected salary increases that vary by duration of service, ranging from 3.25% to 14.45% for miscellaneous members, and (c) 3.25% cost-of-living adjustment.* Both (a) and (b) include an inflation component of 3.0%.

The actuarial value of the Plan's assets was determined using a technique that smooths the effect of short-term volatility in the market value of investments a three-year period, depending on the size of investment gains and/or losses. The Plan's unfunded actuarial accrued liability (or excess assets) is being amortized as a level percentage of projected payroll on a closed basis.

*For plans with a 5% COLA, the actuarial assumption is 4.5%, i.e., the smaller of the CPI increase and the assumed inflation assumption.

Three-Year Trend Information:

Annual Fiscal Year <u>Ending</u>	Annual Pension Cost (APC)	Net of APC <u>Contributed</u>	Pension <u>Obligation</u>
6/30/08	\$ 51,149	100.0%	0
6/30/09	\$ 58,047	100.0%	0
6/30/10	\$ 58,047	100.0%	0

Required Supplementary Information:

FUNDED STATUS OF PLAN

Entry Age Normal Valuation <u>Date</u>	Actuarial Accrued <u>Liability</u>	Actuarial Value of <u>Assets</u>	(Overfunded) <u>Liability</u>	Annual Funded <u>Ratio</u>	Covered <u>Payroll</u>	UAAL As a <u>% of Payroll</u>
6/30/01	\$2,657,352	\$2,911,131	\$(253,779)	109.6%	542,257	(46.800%)
6/30/02	2,846,670	2,775,440	71,230	97.5%	574,878	12.400%
6/30/03	3,252,744	2,798,225	454,519	86.0%	637,372	71.311%

The June 30, 2004 , through 2010 information has not been made available.

(Continued on following page)

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009

NOTE 4 SELF-INSURANCE

The District is a member of the Vector Control Joint Powers Agency, for the purpose of providing a pooling plan for member Districts to provide their own worker's compensation and liability insurance.

Under the Agreement, the District has a self-insured retention under the worker's compensation plan of \$10,000 and excess insurance coverage to 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.

Premium payments by member districts are planned to match expenses of insurance premiums for coverage in excess of the self-insured amount, estimated claims resulting from self-insurance programs and JPA operating expenses.

The Shasta Mosquito and Vector Control District uses the general fund method to account for the costs of self-insurance. While the ultimate amount of the costs of self-insurance through June 30, 2010 is dependent on future developments, District management believes that the aggregate premiums paid to the JPA's are adequate to cover the District's losses through June 30, 2010, including incurred but not reported losses.

Total premiums paid to the JPA's during the fiscal year ended June 30, 2010 and 2009 totaled \$59,161 and \$28,362 respectively for worker's compensation and liability insurance. Losses paid under either program during the fiscal year were in excess of self-insured retention amount paid in prior years.

VCJPA's audited condensed financial information for the year ended June 30, 2010 is presented below:

Total Assets	\$ <u>12,217,265</u>
Total Liabilities	\$ 6,861,769
Equity	<u>5,355,496</u>
Total Liabilities and Net Assets	\$ <u>12,217,265</u>
Total Revenue	\$ 3,652,080
Total Expenditures	3,722,105
Refunds to members	-
Net increase in equity	\$ <u>(70,025)</u>

(Continued on following page)

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009

NOTE 5 APPROPRIATION LIMITATION

Article XIII B of the California Constitution requires certain special districts establish an annual Appropriations Limit. Every year the District sets its appropriation limit by Board Resolution. This number is currently calculated by the District, using multiplier factors supplied by the County of Shasta. The District's appropriation limit was calculated at \$4,004,457, based upon a price factor of -2.54 percent and a population factor of .63 percent for a total multiplier of -1.91 percent. The appropriation limit is the amount that the District can legally expend from tax revenues.

For the fiscal year ended June 30, 2010, the District did not exceed its appropriation limit.

NOTE 6 CHANGES IN CAPITAL ASSETS

A schedule of changes in capital assets for year ended June 30, 2010 are as follows:

	Balance July 1, 2009	Additions	Disposals	Adjustments	Balance June 30, 2010
Capital assets not being depreciated:					
Land	\$ 51,273	\$ -	\$ -	\$ -	\$ 51,273
Total capital assets not being depreciated	<u>51,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,273</u>
Capital assets being depreciated:					
Buildings and improvements	1,256,712	-	-	-	1,256,712
Furniture and equipment	359,077	17,514	(7,726)	-	368,865
Vehicles	<u>596,107</u>	<u>62,216</u>	<u>(107,342)</u>	<u>11,460</u>	<u>562,441</u>
Total capital assets being depreciated	<u>2,211,896</u>	<u>79,730</u>	<u>(115,068)</u>	<u>11,460</u>	<u>2,188,018</u>
Less accumulated depreciation	<u>(1,427,604)</u>	<u>(69,032)</u>	<u>101,776</u>	<u>(67,288)</u>	<u>(1,462,148)</u>
Net Depreciable Assets	<u>784,292</u>				<u>725,870</u>
Total Capital Assets	\$ <u>835,565</u>				\$ <u>777,143</u>

(Continued on following page)

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009

NOTE 7 INTEREST INCOME

The District's interest income is comprised of the following components:

Interest on cash in County Treasury - General fund	\$ 14,755
Interest on cash in County Treasury - Restricted funds	10,347
Interest on cash on deposit with Vector Control JPA	<u>15,786</u>
Total	\$ <u>40,888</u>

NOTE 8 POST EMPLOYMENT HEALTH CARE BENEFITS

During fiscal year 2010, the Shasta Mosquito & Vector Control District implemented the provisions of Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits other than pensions (OPEB). The provisions of this statement are applied prospectively and do not affect prior years' financial statements. Required disclosures are presented below.

By Board resolution and through agreements with its labor units, the District provides certain health care benefits for retired employees and their dependents under third-party insurance plans. The District pays medical insurance premiums for retirees in an amount not to exceed 100% up to the PERS Choice premium in CalPERS' Other Northern California region. For 2010, this maximum was \$501.59. As of June 30, 2010, 6 retirees were eligible to receive benefits; of these, 4 have elected coverage.

Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a July 2007 actuarial valuation using the entry age normal level percent of pay actuarial 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) 7.75% investment rate of return, (b) 3.25% projected annual salary increase, and (c) health inflation increases of:

Year	Rate	Year	Rate	Year	Rate
2008	9.5%	2011	8.0%	2014	6.5%
2009	9.0%	2012	7.5%	2015	6.0%
2010	8.5%	2013	7.0%	2016	5.5%

and 4.5% for all years thereafter.

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 biannually as results are compared to past expectations and new estimates are made about the future. The District's OPEB initial

(Continued on following page)

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009

NOTE 8 POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

unfunded actuarial accrued liability is being amortized as a level dollar amount over a closed 30 year period.

In accordance with the District's budget, the annual required contribution (ARC) is to be funded by (a) making payments to CalPERS for retiree benefit premiums and (b) prior to fiscal year end, depositing the remaining amount of the ARC, if any, to the OPEB trust. Concurrent with implementing Statement No. 45, the District Board passed a resolution to participate in the California Employers Retirees Benefit Trust (CERBT), an irrevocable trust established to fund OPEB. CERBT is administered by CalPERS, and is managed by an appointed board not under the control of District Board. This Trust is not considered a component unit by the District and has been excluded from these financial statements. Separately issued financial statements for CERBT may be obtained from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

Funding Progress and Funded Status

Generally accepted accounting principles permit 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. During the fiscal year ended June 30, 2010, the District contributed a total of \$96,989 to the Plan, an amount greater than the ARC, which represented 12.5% of the \$778,645 of covered payroll. As a result, the District has recorded the Net OPEB Asset, representing the difference between the ARC, the amortization of the Net OPEB Asset and actual contributions, as presented below:

	Fiscal Year Ending 6/30/2010
Determination of Annual Required Contribution	
1 - Annual Normal Cost (BOY)	\$ 31,473
2 - Amortization of UAAL (BOY)	60,388
3 - Interest to EOY	7,119
4 - Annual Required Contribution (1 + 2 + 3)	<u>\$ 98,980</u>
Determination of Net OPEB Obligation:	
4 - Annual Required Contribution	\$ 98,980
5 - Interest on Beginning of Year Net OPEB Obligation	130
6 - Adjustment to ARC	-
7 - Annual OPEB Cost (4 + 5 + 6)	<u>99,110</u>
8 - Employer Contributions	<u>98,980</u>
9 - Change in Net OPEB Obligation (7 - 8)	130
10 - Net OPEB Obligation - BOY (11 from prior year)	-
11 - Net OPEB Obligation (Asset) - EOY (9 + 10)	<u>\$ 130</u>

(Continued on following page)

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010 and 2009

NOTE 8 POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

The actuarial accrued liability (AAL) representing the present value of future benefits, included in the actuarial study dated July 2009, accumulated to \$1,186,852 as of July 1, 2010 of which \$218,813 was funded. In addition to contributions made for current retiree benefits during the fiscal year, the District transferred additional contributions to CERBT, which after adjustment for investment income and expenses totaled \$218,813 as of June 30, 2010 which reduced the unfunded actuarial accrued liability.

NOTE 9 PROPOSITION 1A SUSPENSION

Proposition 1A was passed by California voters in 2004 to ensure local property tax and sales tax revenues remain with local government thereby safeguarding funding for public safety, health, libraries, parks, and other local services. Provisions can only be suspended if the Governor declares a fiscal necessity and two-thirds of the Legislature concur. The emergency suspension of Proposition 1A was passed by the Legislature and signed by the Governor as ABX4 14 and ABX4 15 as part of the 2009-10 budget package on July 28, 2009. Under the provision, the State will borrow 8% of the amount of property tax revenue apportioned to cities, counties and special districts. The state will be required to repay those obligations plus interest by June 30, 2013. This transferred \$93,064 in property tax revenues away from the District to the State. This is anticipated to be a 3 year loan with 2% interest per the current Prop 1A legislation.

REQUIRED SUPPLEMENTAL INFORMATION

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
GOVERNMENTAL FUND BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2010 and 2009

	General Fund				
	June 30, 2010				June 30, 2009
	Original Budget	Final Budget	Actual	Favorable (Unfavorable)	Actual
FUND 462 - GENERAL FUND					
REVENUE:					
Taxes					
Current year:					
Property taxes	\$ 949,400	\$ 949,400	\$ 1,062,132	\$ 112,732	\$ 1,089,728
Supplemental taxes	35,000	35,000	5,458	(29,542)	31,017
Unsecured property taxes	51,605	51,605	52,689	1,084	52,098
Prior year:					
Supplemental taxes	-	-	234	234	130
Unsecured property taxes	-	-	1,335	1,335	767
Homeowners' property tax relief	19,895	19,895	19,735	(160)	19,894
District Benefit Assessment	1,038,500	1,038,500	1,066,464	27,964	975,203
Interest	39,130	39,130	30,541	(8,589)	119,318
Charges for services	122,630	122,630	97,320	(25,310)	171,852
State grant	-	-	-	-	-
Sale of fixed assets	20,400	20,400	50,227	29,827	23,238
Other revenue	6,585	6,585	10,195	3,610	11,156
Transfers - In	312,745	312,745	62,216	(250,529)	-
Total revenues	2,595,890	2,595,890	2,458,546	(137,344)	2,494,401
EXPENDITURES:					
Current:					
Salaries and employee benefits	1,398,990	1,398,990	1,336,071	62,919	1,307,746
Agriculture	481,040	481,040	215,868	265,172	291,090
Clothing and personal supplies	4,290	4,290	5,507	(1,217)	3,850
Communications	6,905	6,905	8,254	(1,349)	6,578
Household expense	12,815	12,815	12,066	749	12,009
Insurance	40,015	40,015	41,044	(1,029)	32,901
Maintenance - equipment	44,470	44,470	34,622	9,848	42,888
Maintenance - structures and grounds	14,175	14,175	16,235	(2,060)	21,953
Medical and laboratory supplies	3,250	3,250	2,990	260	211
Memberships	13,845	13,845	12,569	1,276	13,524
Miscellaneous expense	600	600	115	485	939
Office expense	15,995	15,995	5,634	10,361	6,225
Professional and specialized services	136,975	136,975	131,105	5,870	136,906
Rents - Equipment	2,495	2,495	519	1,976	2,374
Rents - Structures	520	520	1,145	(625)	595
Small tools and instruments	31,525	31,525	30,239	1,286	21,172
Gasoline	32,800	32,800	23,070	9,730	30,689
Trustee allowance	-	-	-	-	-
Taxes and assessments	35	35	-	35	-

(Continued on the following page)

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

SHASTA MOSQUITO AND VECTOR CONTROL DISTRICT
GOVERNMENTAL FUND BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2010 and 2009

	General Fund				
	June 30, 2010				June 30, 2009
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
Transportation and travel	14,560	14,560	23,470	(8,910)	11,351
Utilities	12,425	12,425	12,880	(455)	11,725
Contribution to LAFCO	6,875	6,875	6,380	495	6,545
Software	4,000	4,000	2,155	1,845	41
Special department expenses	10,270	10,270	6,010	4,260	8,615
Property tax administration fee	33,020	33,020	32,509	511	30,018
Publications and legal notices	500	500	-	500	-
Transfers - Out	-	-	3,746	(3,746)	-
Contingency reserve	20,000	20,000	-	20,000	-
Capital outlay	<u>253,500</u>	<u>253,500</u>	<u>90,199</u>	<u>163,301</u>	<u>59,118</u>
Total Expenditures	<u>2,595,890</u>	<u>2,595,890</u>	<u>2,054,402</u>	<u>541,488</u>	<u>2,059,063</u>
FUND 464 - RESERVE FUNDS					
REVENUE:					
Interest	35,000	35,000	10,347	(24,653)	
Transfers - In	<u>3,746</u>	<u>3,746</u>	<u>3,746</u>	<u>-</u>	
Total Revenues	<u>38,746</u>	<u>38,746</u>	<u>14,093</u>	<u>(24,653)</u>	
Expenditures					
Transfers - Out	<u>312,745</u>	<u>312,745</u>	<u>62,216</u>	<u>250,529</u>	
Total Expenditures	<u>312,745</u>	<u>312,745</u>	<u>62,216</u>	<u>250,529</u>	
EXCESS (DEFICIT) OF REVENUES					
OVER EXPENDITURES (Funds 462 and 464)	<u>\$ (273,999)</u>	<u>\$ (273,999)</u>	356,021	<u>\$ 630,020</u>	435,338
FUND BALANCE, Beginning of the year			<u>3,125,558</u>		<u>2,690,220</u>
Prior period adjustments			-		-
Restated beginning fund balance			<u>3,125,558</u>		<u>2,690,220</u>
FUND BALANCE, End of the year			<u>\$3,481,579</u>		<u>\$ 3,125,558</u>

Donald R. Reynolds

Certified Public Accountant

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

Board of Directors
Shasta Mosquito and Vector Control District
Redding, California

We have audited the basic financial statements of the Shasta Mosquito and Vector Control District as of and for the year ended June 30, 2010 and 2009, and have issued our report thereon dated November 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Shasta Mosquito and Vector Control District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting. A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

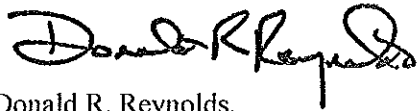
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Shasta Mosquito and Vector Control District's financial statements are free of 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.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Donald R. Reynolds". The signature is fluid and cursive, with a large initial "D" and a stylized "R".

Donald R. Reynolds,
Certified Public Accountant
November 9, 2010