

**San Mateo County  
Mosquito and Vector Control District**

Burlingame, California

**Annual Financial Report**

*For the Year Ended June 30, 2015*



**San Mateo County Mosquito and Vector Control District  
Annual Financial Report  
For the Year Ended June 30, 2015**

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
of the San Mateo County Mosquito and Vector Control District  
Burlingame, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the San Mateo County Mosquito and Vector Control District (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***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 the general fund of the District, as of June 30, 2015, 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.

To the Board of Trustees  
of the San Mateo County Mosquito and Vector Control District  
Burlingame, California

***Emphasis of Matter***

***Implementation of GASB Statements No. 68 and 71***

As discussed in Note 1 to the basic financial statements, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans-an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*. The adoption of these statements requires retrospective application of previously reported net position at July 1, 2014 as described in Note 10 to the basic financial statements. In addition, the Net Pension Liability is reported in the Balance Sheet in the amount of \$1,234,942 as of June 30, 2014, the measurement date. This Net Pension Liability is calculated by actuaries using estimates and actuarial techniques from an actuarial valuation as of June 30, 2014, the measurement date. Our opinion is not modified with respect to this matter.

**Other Matters**

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 9 and the Budgetary Comparison Schedule – General Fund, Schedule of Changes in Net Position Liability and Related Ratios, Schedule of Contributions – Pension Plan and the Schedule of Funding Progress – Other Post-Employment Benefits Plan on pages 47 through 50, respectively, are 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 November 30, 2015, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*The PwC Group, LLP*

Santa Ana, California  
November 30, 2015



**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**

**Independent Auditors' Report**

To the Board of Trustees  
of the San Mateo County Mosquito and Vector Control District  
Burlingame, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the San Mateo County Mosquito and Vector Control District (District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises the District's basic financial statements, and have issued our report thereon dated November 30, 2015.

**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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

To the Board of Trustees  
of the San Mateo County Mosquito and Vector Control District  
Burlingame, California

**Purpose of this Report**

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

A handwritten signature in black ink that reads "The Per Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California  
November 30, 2015

**San Mateo County Mosquito and Vector Control District**  
**Management's Discussion and Analysis (Unaudited)**  
**For the Year Ended June 30, 2015**

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The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the San Mateo County Mosquito and Vector Control District (District) provides an introduction to the financial statements of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

**Financial Highlights**

- The District's net position increased 8.9%, or \$793,075 from the prior year's restated net position of \$8,848,101 to \$9,641,176, as a result of this year's operations. Also, the District recorded a prior period adjustment of \$(1,638,095) to account for the implementation of GASB Nos. 68 and 71 to record the District's net pension liability on the statement of net position. See note 10 for further information.
- Total revenues from all sources increased by 2.9%, or \$134,418 from \$4,630,574 to \$4,764,992, from the prior year, primarily due to an increase of \$121,628 in property tax revenues.
- Total expenses for the District's operations decreased by 1.0% or \$(42,207) from \$4,014,124 to \$3,971,917, from the prior year, primarily due to a \$54,920 decrease in operations expense.

**Using This Financial Report**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenue and expenses are accounted for in the Statement of Activities. This statement measures the success of the District's operations over the past year and can be used to determine the District's profitability and credit worthiness.

**Government-wide Financial Statements**

**Statement of Net Position and Statement of Activities**

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Activities report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in them. Think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors; however, such as changes in the District's property tax base to assess the *overall health* of the District.

**San Mateo County Mosquito and Vector Control District  
Management's Discussion and Analysis (Unaudited) (Continued)  
For the Year Ended June 30, 2015**

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**Governmental Funds Financial Statements**

**Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance**

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

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

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$9,641,176 as of June 30, 2015.

**Condensed Statement of Net Position**

	<b>June 30, 2015</b>	<b>June 30, 2014</b>	<b>Change</b>
<b>Assets:</b>			
Current assets	\$ 7,683,360	\$ 7,193,663	\$ 489,697
Capital assets, net	4,456,201	4,398,159	58,042
<b>Total assets</b>	<b>12,139,561</b>	<b>11,591,822</b>	<b>547,739</b>
<b>Deferred outflows of resources</b>	90,849	-	90,849
<b>Liabilities:</b>			
Current liabilities	262,113	343,952	(81,839)
Non-current liabilities	2,195,844	761,674	1,434,170
<b>Total liabilities</b>	<b>2,457,957</b>	<b>1,105,626</b>	<b>1,352,331</b>
<b>Deferred inflows of resources</b>	75,397	-	75,397
<b>Net position:</b>			
Net investment in capital assets	4,380,420	4,367,075	13,345
Unrestricted	5,260,756	6,119,121	(858,365)
<b>Total net position</b>	<b>\$ 9,641,176</b>	<b>\$ 10,486,196</b>	<b>\$ (845,020)</b>

At the end of fiscal year 2015, the District shows a positive balance in its unrestricted net position of \$5,260,756 that may be utilized in future years.

**San Mateo County Mosquito and Vector Control District  
Management's Discussion and Analysis (Unaudited) (Continued)  
For the Year Ended June 30, 2015**

**Condensed Statements of Revenues, Expenses and Changes in Net Position**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Change</u>
<b>Program revenues</b>	\$ 2,126,164	\$ 2,135,548	\$ (9,384)
<b>Expenses</b>	<u>(3,971,917)</u>	<u>(4,014,124)</u>	<u>42,207</u>
<b>Net program expense</b>	(1,845,753)	(1,878,576)	32,823
<b>General revenues</b>	<u>2,638,828</u>	<u>2,495,026</u>	<u>143,802</u>
<b>Change in net position</b>	793,075	616,450	176,625
<b>Net position – beginning of period</b>	10,486,196	9,869,746	616,450
<b>Prior period adjustment</b>	<u>(1,638,095)</u>	<u>-</u>	<u>(1,638,095)</u>
<b>Net position – end of period</b>	<u>\$ 9,641,176</u>	<u>\$ 10,486,196</u>	<u>\$ (845,020)</u>

The statement of activities shows how the government's net position changed during the fiscal year. In the case of the District, net position increased by \$793,075, during the fiscal year ended June 30, 2015.

**Total Revenues:**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Increase (Decrease)</u>
<b>Program revenues:</b>			
Service abatement revenue	\$ 237,847	\$ 255,943	\$ (18,096)
Special benefit assessment	1,427,237	1,419,275	7,962
Special mosquito control assessment	<u>461,080</u>	<u>460,330</u>	<u>750</u>
<b>Total program revenues</b>	<u>2,126,164</u>	<u>2,135,548</u>	<u>(9,384)</u>
<b>General revenues:</b>			
Property taxes	1,912,947	1,791,319	121,628
Other tax revenues	396,172	375,826	20,346
Interest earnings	47,466	38,884	8,582
Other revenues	<u>282,243</u>	<u>288,997</u>	<u>(6,754)</u>
<b>Total general revenues</b>	<u>2,638,828</u>	<u>2,495,026</u>	<u>143,802</u>
<b>Total revenues</b>	<u>\$ 4,764,992</u>	<u>\$ 4,630,574</u>	<u>\$ 134,418</u>

Total revenues from all sources increased by 2.9%, or \$134,418 from \$4,630,574 to \$4,764,992, from the prior year, primarily due to an increase of \$121,628 in property tax revenues.

**San Mateo County Mosquito and Vector Control District  
Management's Discussion and Analysis (Unaudited) (Continued)  
For the Year Ended June 30, 2015**

**Total Expenses:**

	<b>June 30, 2015</b>	<b>June 30, 2014</b>	<b>Increase (Decrease)</b>
<b>Expenses:</b>			
Operations	\$ 3,696,167	\$ 3,751,087	\$ (54,920)
Depreciation expense	275,299	262,902	12,397
Interest expense	451	135	316
<b>Total expenses</b>	<b>\$ 3,971,917</b>	<b>\$ 4,014,124</b>	<b>\$ (42,207)</b>

Total expenses for the District's operations decreased by 1.0% or \$(42,207) from \$4,014,124 to \$3,971,917, from the prior year, primarily due to a \$54,920 decrease in operations expense.

**Governmental Funds Financial Analysis**

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, the *unreserved fund balance* may serve as a useful measure of the government's net resources for spending at the end of the fiscal year.

As of June 30, 2015, the District reported a total fund balance of \$7,502,276. An amount of \$6,715,903 constitutes the District's *unassigned fund balance*, which is available for future expenditures.

**General Fund Budgetary Highlights**

The final budgeted expenditures for the District at year-end were \$184,443 more than actual. The variance is principally due to a decrease in expenditures for employee benefits and materials and services than budgeted. Actual revenues were greater than the anticipated budget by \$441,895.

**Capital Asset Administration**

Changes in capital assets for the year were as follows:

	<b>Balance July 1, 2014</b>	<b>Additions</b>	<b>Transfers/ Deletions</b>	<b>Balance June 30, 2015</b>
<b>Capital assets:</b>				
Non-depreciable assets	\$ 710,889	\$ 159,600	\$ -	\$ 870,489
Depreciable assets	6,277,736	156,409	(40,407)	6,393,738
Accumulated depreciation	(2,590,466)	(275,299)	57,739	(2,808,026)
<b>Total capital assets, net</b>	<b>\$ 4,398,159</b>	<b>\$ 40,710</b>	<b>17,332</b>	<b>\$ 4,456,201</b>

At the end of fiscal year 2015, the District's investment in capital assets amounted to \$4,456,201 (net of accumulated depreciation). This investment in capital assets includes structures and improvements, furniture and equipment, vehicles and construction-in-process. Major capital asset additions during the year include various equipment and vehicle purchases totaling \$316,009. See note 3 for further information on the District's capital assets.

**San Mateo County Mosquito and Vector Control District  
Management's Discussion and Analysis (Unaudited) (Continued)  
For the Year Ended June 30, 2015**

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**Debt Administration**

Changes in long-term debt for the year were as follows:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance June 30, 2015</u>
Capital leases	\$ 48,416	\$ 108,100	\$ (80,735)	\$ 75,781

See further detail at note 5.

**Conditions Affecting Current Financial Position**

Management is unaware of any conditions, which could have a significant impact on the District's current financial position, net position or operating results in terms of past, present and future.

**Requests for Information**

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the District's General Manager at the San Mateo County Mosquito and Vector Control District, 1351 Rollins Road Burlingame, California 94010 or (650) 344-8592.

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**San Mateo County Mosquito and Vector Control District**  
**Statement of Net Position**  
**June 30, 2015**

<u>ASSETS</u>	<u>Governmental Activities</u>
<b>Current assets:</b>	
Cash and cash equivalents (note 2)	\$ 7,193,140
Accounts receivable	35,962
Materials and supplies inventory	81,863
Deposits with Vector Control Joint Powers Agency (VCJPA) (note 12)	371,064
Prepaid items	1,331
<b>Total current assets</b>	<u>7,683,360</u>
<b>Non-current assets:</b>	
Capital assets – not being depreciated (note 3)	870,489
Capital assets – being depreciated, net (note 3)	3,585,712
<b>Total non-current assets</b>	<u>4,456,201</u>
<b>Total assets</b>	<u>12,139,561</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	
Employer contributions to pension plan made after the measurement date (note 7)	522,893
Changes in employer contributions and differences between proportionate share of pension expense (note 7)	186,886
Changes of assumptions (note 7)	90,849
<b>Total deferred outflows of resources</b>	<u>800,628</u>
<b><u>LIABILITIES</u></b>	
<b>Current liabilities:</b>	
Accounts payable and accrued expenses	92,194
Accrued salaries and benefits	88,890
Long-term liabilities – due in one year:	
Compensated absences (note 4)	62,634
Capital leases (note 5)	18,395
<b>Total current liabilities</b>	<u>262,113</u>
<b>Non-current liabilities:</b>	
Compensated absences (note 4)	146,146
Capital leases (note 5)	57,386
Net other post-employment benefits obligation (note 6)	757,370
Net pension liability (note 7)	1,234,942
<b>Total non-current liabilities</b>	<u>2,195,844</u>
<b>Total liabilities</b>	<u>2,457,957</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Recognized net differences between projected and actual earnings on pension plan investments (note 7)	650,248
Changes in employer contributions and differences between proportionate share of pension expense (note 7)	115,411
Recognized net differences between expected and actual economic experience (note 7)	75,397
<b>Total deferred inflows of resources</b>	<u>841,056</u>
<b><u>NET POSITION</u></b>	
<b>Net position:</b>	
Net investment in capital assets (note 8)	4,380,420
Unrestricted	5,260,756
<b>Total net position</b>	<u>\$ 9,641,176</u>

See accompanying Notes to the Basic Financial Statements.

**San Mateo County Mosquito and Vector Control District**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

	<b>Governmental Activities</b>
<b>EXPENSES:</b>	
Mosquito and vector control:	
Operations	\$ 3,696,167
Depreciation expense	275,299
Interest expense	451
<b>Total expenses</b>	<b>3,971,917</b>
<b>PROGRAM REVENUES:</b>	
Service abatement revenue	237,847
Special benefit assessment	1,427,237
Special mosquito control assessment	461,080
<b>Total program revenues</b>	<b>2,126,164</b>
<b>Net program expense</b>	<b>(1,845,753)</b>
<b>GENERAL REVENUES:</b>	
Property taxes	1,912,947
Other tax revenues	396,172
Interest earnings	47,466
Other revenues	282,243
<b>Total general revenues</b>	<b>2,638,828</b>
<b>CHANGE IN NET POSITION</b>	<b>793,075</b>
<b>NET POSITION:</b>	
Beginning of year, as previously stated	10,486,196
Prior period adjustments (note 10)	(1,638,095)
End of year	<b>\$ 9,641,176</b>

## **FUND FINANCIAL STATEMENTS**

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**San Mateo County Mosquito and Vector Control District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

<u>ASSETS</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>Assets:</b>			
Cash and cash equivalents	\$ 7,193,140	\$ -	\$ 7,193,140
Accounts receivable	35,962	-	35,962
Materials and supplies inventory	81,863	-	81,863
Deposits with Vector Control Joint Powers Agency	371,064	-	371,064
Prepaid items	1,331	-	1,331
<b>Total assets</b>	<b>\$ 7,683,360</b>	<b>\$ -</b>	<b>\$ 7,683,360</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>Liabilities:</b>			
Accounts payable and accrued expenses	\$ 92,194	\$ -	\$ 92,194
Accrued salaries and benefits	88,890	-	88,890
<b>Total liabilities</b>	<b>181,084</b>	<b>-</b>	<b>181,084</b>
<b>Fund Balances: (note 9)</b>			
Nonspendable	83,194	-	83,194
Committed	208,780	-	208,780
Assigned	4,672,713	-	494,399
Unassigned	2,537,589	-	6,715,903
<b>Total fund balances</b>	<b>7,502,276</b>	<b>-</b>	<b>7,502,276</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,683,360</b>	<b>\$ -</b>	<b>\$ 7,683,360</b>

**San Mateo County Mosquito and Vector Control District**  
**Reconciliation of the Balance Sheet of Governmental Funds to the**  
**Government-Wide Statement of Net Position**  
**June 30, 2015**

<b>Fund Balances – Governmental Funds</b>	<u>\$ 7,502,276</u>
 Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. However, the statement of net position includes those assets as capital assets.	4,456,201
Pension contributions made during the fiscal year after the measurement date are reported as expenditures in governmental funds and as deferred outflows of resources in the government-wide financial statements.	522,893
Changes in employer contributions and differences between proportionate share of pension expense are reported as deferred outflows of resources in the government-wide financial statements.	186,886
Changes in assumptions are reported as deferred outflows of resources in the government-wide financial statements.	90,849
Long-term liabilities applicable to the District are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities' both current and long-term, are reported in the statement of net position as follows:	
Compensated absences	(208,780)
Capital leases	(75,781)
Net other post-employment benefits obligation	(757,370)
Net pension liability	(1,234,942)
Recognized net differences between projected and actual earnings on pension plan investments are reported as deferred inflows of resources in the government-wide financial statements.	(650,248)
Changes in employer contributions and differences between proportionate share of pension expense are reported as deferred inflows of resources in the government-wide financial statements.	(115,411)
Recognized net differences between expected and actual economic experience are reported as deferred inflows of resources in the government-wide financial statements.	<u>(75,397)</u>
Total adjustments	<u>2,138,900</u>
<b>Net Position of Governmental Activities</b>	<u><u>\$ 9,641,176</u></u>

**San Mateo County Mosquito and Vector Control District**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>REVENUES:</b>			
Service abatement revenue	\$ 237,847	\$ -	\$ 237,847
Special benefit assessment	1,427,237	-	1,427,237
Special mosquito control assessment	461,080	-	461,080
Property taxes	1,912,947	-	1,912,947
Other tax revenues	396,172	-	396,172
Interest earnings	47,466	-	47,466
Other revenues	282,243	-	282,243
<b>Total revenues</b>	<u>4,764,992</u>	<u>-</u>	<u>4,764,992</u>
<b>EXPENDITURES:</b>			
Current:			
Salaries and wages	1,868,139	-	1,868,139
Employee benefits	945,652	-	945,652
Materials and services	1,143,437	-	1,143,437
Capital outlay	316,009	-	316,009
Debt service:			
Principal	80,735	-	80,735
Interest	451	-	451
<b>Total expenditures</b>	<u>4,354,423</u>	<u>-</u>	<u>4,354,423</u>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	410,569	-	410,569
<b>OTHER FINANCING SOURCES (USES):</b>			
Capital lease issuance proceeds	108,100	-	108,100
Transfers in (out)	222,591	(222,591)	-
<b>Total other financing sources (uses)</b>	<u>330,691</u>	<u>(222,591)</u>	<u>108,100</u>
<b>NET CHANGES IN FUND BALANCE</b>	741,260	(222,591)	518,669
<b>FUND BALANCE:</b>			
Beginning of year	6,761,016	222,591	6,983,607
End of year	<u>\$ 7,502,276</u>	<u>\$ -</u>	<u>\$ 7,502,276</u>

**San Mateo County Mosquito and Vector Control District**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balance of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2015**

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**Net Change in Fund Balances – Governmental Funds** \$ 518,669

Amounts reported for governmental activities in the statement of activities is different because:

Some expenses reported in the statement of activities do not require the use of current financial resources. Therefore, those expenses are not reported as expenditures in governmental funds as follows:

Net change in compensated absences expenses	45,452
Net change in other post-employment benefits expenses	(147,116)
Net change in pension expense	362,725

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

Capital outlay	316,009
Depreciation expense	(275,299)

Principal repayment of long-term debt is reported as an expenditure in governmental funds. However, principal repayments reduce liabilities in the statement of net position and do not result in expenses in the statement of activities.

80,735

Capital lease issuance proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities.

(108,100)

<b>Total adjustments</b>	<u>274,406</u>
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**Change in Net Position of Governmental Activities** \$ 793,075

**San Mateo County Mosquito and Vector Control District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Reporting Entity and Summary of Significant Accounting Policies**

**Organization and Operations of the Reporting Entity**

The San Mateo Mosquito and Vector Control District (District) is a special district established in 1916 empowered to take all necessary and proper steps for the extermination of mosquitos, flies or other insects within the District.

In the fiscal year ended June 30, 2004, the District expanded their services to the cities of San Bruno, South San Francisco, Daly City, Colma, Brisbane, Pacifica and Half Moon Bay, which encompass the North and West County District (NWCD). The revenue related to servicing the NWCD is accounted for as a special assessment charge placed on the property parcels within that service area.

In the fiscal year ended June 30, 2008, the San Mateo County Board of Supervisors passed a resolution to transfer specific vector control operations and responsibilities to the San Mateo County Mosquito Abatement District. As a result, the District changed its name to the San Mateo County Mosquito and Vector Control District. The District is governed by a twenty-one member Board of Trustees that service the incorporated cities and the unincorporated San Mateo County areas within the District's service area.

***Basis of Accounting and Measurement Focus***

***Government-Wide Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the activities of the primary government. The effect of inter-fund activity has been removed from these statements and eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

***Fund Financial Statements***

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

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

**San Mateo County Mosquito and Vector Control District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)**

***Basis of Accounting and Measurement Focus (Continued)***

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

***Deferred Outflows of Resources*** represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

***Deferred Inflows of Resources*** represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as a revenue until that time.

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 the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the “*current financial resources*” measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal year and other revenues when collected within one year of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The primary revenue sources susceptible to accrual are property taxes, charges for services, and interests associated with the current fiscal period and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major funds:

***Governmental Funds:***

***General Fund*** – is a government’s primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund when necessary

***Capital Project Fund*** – accounts for financial resources to be used for the acquisition or construction of capital assets.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in District net position during the reporting period. Actual results could differ from those estimates.

**San Mateo County Mosquito and Vector Control District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)**

***Cash and Cash Equivalents***

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

***Investments Policy***

The District has adopted an investment policy which allows deposits into financial institutions and the San Mateo County Treasury’s Pooled Investment Fund. The pooled investment fund is carried at cost, which approximates fair-value. Any investment losses are proportionality shared by all funds in the pool.

***Materials and Supplies Inventory***

Inventories consist of expendable supplies and are valued at cost using a first-in first-out basis.

***Prepaid Items***

Certain payments to vendors reflects costs or deposits applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

***Capital Assets***

Capital assets are recorded in the government-wide financial statements. Included in capital assets is equipment used at the District. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated fair market value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and as assets in the government-wide financial statements to the extent the District’s capitalization threshold is met. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

<u>Asset Class</u>	<u>Useful Lives</u>
Structures and improvements	7-50 years
Furniture and equipment	5-20 years
Vehicles	5-15 years

***Compensated Absences***

The District’s policy is to permit full time employees to accumulate earned vacation time and sick leave. Earned vacation time shall be earned by each employee subject to the accrual limitations and policies as defined by District policies. Such unused compensation is calculated at the employees’ then prevalent hourly rate at the time of retirement or termination. Whereas vacation time is compensated at 100% of accumulated hours, sick leave is accrued and compensated only at retirement or termination based on the years of employment up to a maximum of \$7,500 (with the sole exception of the District Manager, to whom the \$7,500 ceiling does not apply).

***Pension Plan***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans’ fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

**San Mateo County Mosquito and Vector Control District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)**

*Pension Plan (Continued)*

**San Mateo County Employees’ Retirement Association (SamCERA)**

Valuation Date	June 30, 2014
Measurement Date	June 30, 2014
Measurement Period	July 1, 2013 to June 30, 2014

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period, which is 5 years for SamCERA.

***Property Taxes***

The San Mateo County Assessor’s Office assesses all real and personal property within the County each year. The San Mateo County Tax Collector’s Office bills and collects the District’s share of property taxes and assessments. The San Mateo County Auditor-Controller’s Office remits current property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by San Mateo County, which have not been credited to the District’s cash balance as of June 30. The property tax calendar is as follows:

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

Property taxes levied are recorded as revenue when received, in the fiscal year of levy, because of the adoption of the *alternate method of property tax distribution* known as the Teeter Plan, by the District and San Mateo County. The Teeter Plan authorizes the County Auditor-Controller to allocate 100% of the secured property tax billed but not yet received or paid to the District. San Mateo County remits tax proceeds to the District in three installments during the fiscal year as follows: 50% remitted on December 15, 40% remitted on April 15 and 10% on June 30.

***Special Assessment Revenue***

Special assessments determined by the District are included on property tax bills of San Mateo County. Special assessments are recorded as revenue when received, in the fiscal year of receipt, because of the adoption of the *alternate method of property tax distribution* known as the Teeter Plan, by the District and San Mateo County. San Mateo County remits the special assessments to the District on the same schedule as property taxes.

**San Mateo County Mosquito and Vector Control District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)**

***Net Position***

Net position is categorized as follows:

***Net Investment in Capital Assets*** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any outstanding debt outstanding against the acquisition, construction or improvement of those assets.

***Restricted*** – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The District has no restricted net position as of June 30, 2015.

***Unrestricted*** – This component of net position consists of net amount of assets that are not included in the determination of *restricted* or *net investment in capital assets*.

***Fund Balance***

The financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

***Nonspendable*** – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

***Restricted*** – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions enabling legislation.

***Committed*** – amounts that can only be used for specific purposes determined by formal action of the District's highest level of decision-making authority (the Board of Trustees) and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later than the close of the reporting period.

***Assigned*** – amounts that are constrained by the District's intent to be used for specific purposes. The intent can be established at either the highest level of decision-making, or by a body or an official designated for that purpose.

***Unassigned*** – the residual classification for the District's general fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

The Board of Trustees established, modifies or rescinds fund balance commitments and assignments by passage of a resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

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

**San Mateo County Mosquito and Vector Control District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)**

***Fund Balance Policy***

The District believes that sound financial management principles require that sufficient funds be retained by the District to provide a stable financial base at all times. To retain this stable financial base, the District needs to maintain an unrestricted fund balance in its funds sufficient to fund cash flows of the District and to provide financial reserves for unanticipated expenditures and/or revenue shortfalls of an emergency nature. Committed, assigned and unassigned fund balances are considered unrestricted.

The purpose of the District's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unpredicted one-time expenditures.

***Accounting Changes***

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*). This Statement establishes standards for measuring and recognizing liabilities, deferred outflow of resources, deferred inflows of resources, and expense/expenditures for pension plans. This Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This statement became effective for periods beginning after June 15, 2014. See notes 7 and 10 for the net pension liability and prior period adjustment that resulted from the implementation of these pronouncements.

GASB has issued Statement No. 69, *Government Combinations and Disposals of Government Operation*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement became effective for periods beginning after December 15, 2013 and did not have a significant impact on the District's financial statements for year ended June 30, 2015.

GASB has issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This statement establishes standards relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This statement became effective for periods beginning after June 15, 2014. See notes 7 and 10 for the net pension liability and prior period adjustment that resulted from the implementation of these pronouncements.

**San Mateo County Mosquito and Vector Control District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 2 – Cash and Investments**

Cash and investments as of June 30, 2015 consisted of the following:

Description	Balance
Cash on hand	\$ 400
Deposits held with San Mateo County Pooled Investment Fund (SMCPIF)	7,192,740
Total cash and investments	\$ 7,193,140

***Authorized Deposits and Investments***

The District has adopted an investment policy which allows deposits into financial institutions and the San Mateo County Treasury’s Pooled Investment Fund.

***San Mateo County Treasury – Pooled Investment Fund***

The San Mateo County Treasury Pooled Investment Fund (SMCPIF) is a pooled investment fund program governed by the San Mateo County Board of Supervisors, and administered by the San Mateo County Treasurer. Investments in SMCPIF are highly liquid as deposits and withdrawals can be made at any time without penalty. SMCPIF does not impose a maximum investment limit. The County’s Treasurer has indicated to the District that as of June 30, 2015 that the value of the County’s portfolio approximated \$4.264 billion and the portfolio holds no derivative products.

The San Mateo County bank deposits are either federally insured or collateralized in accordance with the California Government Code. The San Mateo County Pool (Pool) complies with Government Code Section 53646, which requires the Pool to meet its expenditure requirements for the next six months. Pool detail may be obtained from the County of San Mateo Treasurer-Tax Collector Office – 555 County Center, 1<sup>st</sup> Floor – Redwood City, CA 94063 or the Treasurer and Tax Collector’s office website at [www.smcrevenueservices.org](http://www.smcrevenueservices.org).

***Custodial Credit Risk***

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and District’s investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure the District’s deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. Of the District’s bank balances, up to \$250,000 is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District’s name.

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Code and the District’s investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools (such as SMCPIF).

**San Mateo County Mosquito and Vector Control District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 2 – Cash and Investments (Continued)**

<u>Investments</u>	<u>Credit Rating</u>	<u>Fair Value June 30, 2015</u>	<u>Maturity 12 Months or Less</u>
San Mateo County Pooled Investment Fund (SMCPIF)	AAAf/S1	\$ 7,192,740	7,192,740
Total investments		<u>\$ 7,192,740</u>	<u>7,192,740</u>

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity an investment has the greater its fair value has sensitivity to changes in market interest rates. District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2015, the District's investment in the SMCPIF was rated by Standard & Poor's as AAAf/S1.

**Concentration of Credit Risk**

The District's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. There were no investments in any one non-governmental issuer that represent 5% or more of the District's total investments.

**Note 3 – Capital Assets**

Changes in capital assets for the year were as follows:

	<u>Balance July 1, 2014</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance June 30, 2015</u>
Non-depreciable capital assets:				
Land	\$ 710,889	\$ -	\$ -	\$ 710,889
Construction-in-process	-	159,600	-	159,600
Total non-depreciable capital assets	<u>710,889</u>	<u>159,600</u>	<u>-</u>	<u>870,489</u>
Depreciable capital assets:				
Structures and improvements	4,691,393	-	-	4,691,393
Furniture and equipment	693,531	48,309	-	741,840
Vehicles	892,812	108,100	(40,407)	960,505
Total depreciable capital assets	<u>6,277,736</u>	<u>156,409</u>	<u>(40,407)</u>	<u>6,393,738</u>
Accumulated depreciation:				
Structures and improvements	(1,319,032)	(118,051)	-	(1,437,083)
Furniture and equipment	(550,162)	(44,181)	-	(594,343)
Vehicles	(721,272)	(113,067)	57,739	(776,600)
Total accumulated depreciation	<u>(2,590,466)</u>	<u>(275,299)</u>	<u>57,739</u>	<u>(2,808,026)</u>
Total depreciable capital assets, net	<u>3,687,270</u>	<u>(118,890)</u>	<u>17,332</u>	<u>3,585,712</u>
Total capital assets, net	<u>\$ 4,398,159</u>	<u>\$ 40,710</u>	<u>\$ 17,332</u>	<u>\$ 4,456,201</u>

**San Mateo County Mosquito and Vector Control District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 4 – Compensated Absences**

Compensated absences comprise unpaid vacation leave, sick leave and compensating time off which is accrued as earned. The District's liability for compensated absences is determined annually.

The changes to the compensated absences balance at June 30, 2015 were as follows:

<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$ 254,232	\$ 56,432	\$ (101,884)	\$ 208,780	\$ 62,634	\$ 146,146

**Note 5 – Capital Leases**

Changes in capital lease amounts for the year ended June 30, 2015 were as follows:

<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2015</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
\$ 48,416	\$ 108,100	\$ (80,735)	\$ 75,781	\$ 18,395	\$ 57,386

The District has recorded various capital leases in regards to the District's vehicle fleet. Principal and interest are payable monthly with varying interest rates. The remaining principal and interest amounts payable by fiscal year are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 18,395	\$ 486	\$ 18,881
2017	18,394	486	18,880
2018	18,395	486	18,881
2019	16,518	351	16,869
2020	4,079	35	4,114
Total	75,781	\$ 1,844	\$ 77,625
Current	(18,395)		
Long-term	\$ 57,386		

**San Mateo County Mosquito and Vector Control District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 6 – Net Other Post-Employment Benefits Obligation**

***Plan Description – Eligibility and Benefits***

The District pays a portion of the cost of health care for eligible retirees. The District will pay health care premiums for eligible retirees from the District.

***Funding Policy***

The contribution requirements of plan members and the District are established and may be amended by the District’s governing board. Depending on the number of years of service and the circumstances surrounding retirement, employees may be eligible to receive health care insurance cost reimbursement between 25% to 100% and prescription drug coverage reimbursement of \$500 to \$1,000 per year.

The District contributes the *Annual Required Contribution (ARC) of the Employer*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC rate is 11.1% of the annual covered payroll.

***Annual Cost***

For the year ended June 30, 2015, the District’s annual OPEB cost is \$195,657. The District’s net OPEB obligation amounted to \$757,370 as of June 30, 2015. The District paid \$48,541 for current year OPEB health care premiums.

The OPEB payable balance at June 30, 2015, was calculated as follows:

<b>Description</b>	<b>Balance</b>
<b>Annual OPEB cost:</b>	
Annual required contribution (ARC)	\$ 197,557
Interest on beginning net OPEB obligation	27,461
Adjustment to annual required contribution	(29,361)
<b>Total annual OPEB cost</b>	<b>195,657</b>
<b>Contributions made:</b>	
Health care premium contributions made	(48,541)
<b>Total contributions made</b>	<b>(48,541)</b>
<b>Change in net other post-employment benefits obligation</b>	<b>147,116</b>
<b>Net other post-employment benefits obligation:</b>	
Beginning of year	610,254
End of year	<b>\$ 757,370</b>

**San Mateo County Mosquito and Vector Control District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 6 – Net Other Post-Employment Benefits Obligation (Continued)**

*Annual Cost (Continued)*

The District’s annual OPEB expense, the percentage of the annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2015 and the two preceding years were as follows:

<i>Three-Year History of Net OPEB Obligation</i>				
<b>Fiscal Year Ended</b>	<b>Annual OPEB Expense</b>	<b>Contributions Made</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
June 30, 2015	\$ 195,657	\$ 48,541	24.81%	\$ 757,370
June 30, 2014	182,095	46,533	25.55%	610,254
June 30, 2013	171,244	46,067	26.90%	474,692

*Funded Status and Funding Progress of the Plan*

The most recent valuation (as of June 30, 2015) includes an Actuarial Accrued Liability and Unfunded Actuarial Accrued Liability of \$1,917,360. The covered payroll (annual payroll of active employees covered by the plan) for the year ended June 30, 2015 was \$1,777,244. The ratio of the unfunded actuarial accrued liability to annual covered payroll is 107.88%.

*Actuarial Methods and Assumptions*

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 continual revision as actual results are compared to past expectations and new estimates are made about the future. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and the pattern of sharing of costs between the employer and plan members to that point. Consistent with the long-term perspective of actuarial calculations, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities for benefits.

The following is a summary of the actuarial assumptions and methods:

The following is a summary of the actuarial assumptions and methods:

Valuation date	June 30, 2015
Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of payroll amortization
Remaining amortization period	25 Years as of the valuation date
Asset valuation method	30 Year smoothed market
Actuarial assumptions:	
Investment rate of return	4.50%
Projected salary increase	3.25%
Inflation - discount rate	4.50%
Individual salary growth	District annual COLA
Health care trend rate	7.5% - Average 5-year

**San Mateo County Mosquito and Vector Control District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 7 – Defined Benefit Pension Plan and the Net Pension Liability**

<u>Type of Account</u>	<u>Balance as of July 1, 2014 (As Restated)</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance as of June 30, 2015</u>
<b>Deferred Outflows of Resources:</b>				
Employer contributions to pension plan made after the measurement date	\$ 608,632	\$ 522,893	\$ (608,632)	\$ 522,893
Changes in employer contributions and differences between proportionate share of pension expense	233,607	-	(46,721)	186,886
Changes of assumptions	-	113,562	(22,713)	90,849
<b>Total deferred outflows of resources</b>	<b>\$ 842,239</b>	<b>\$ 636,455</b>	<b>\$ (678,066)</b>	<b>\$ 800,628</b>
<b>Net Pension Liability</b>	<b>\$ 2,336,070</b>	<b>\$ -</b>	<b>\$ (1,101,128)</b>	<b>\$ 1,234,942</b>
<b>Deferred Inflows of Resources:</b>				
Recognized net differences between projected and actual earnings on pension plan investments	\$ -	\$ 812,810	\$ (162,562)	\$ 650,248
Changes in employer contributions and differences between proportionate share of pension expense	144,264	-	(28,853)	115,411
Recognized net differences between expected and actual economic experience	-	94,246	(18,849)	75,397
<b>Total deferred inflows of resources</b>	<b>\$ 144,264</b>	<b>\$ 907,056</b>	<b>\$ (210,264)</b>	<b>\$ 841,056</b>

***Plan Description***

San Mateo County Employees' Retirement Association (SamCERA) is a cost-sharing multiple-employer, defined benefit pension plan that provides benefits for substantially all permanent employees of the County and the District. SamCERA was founded in 1944 under the authority granted by Article XVI of the Constitution of the State of California and the County Employees' Retirement Law of 1937 (the 1937 Act). SamCERA is not subject to the provisions of the Employee Retirement Income Security Act of 1974.

Management of SamCERA is vested in the Board of Retirement consisting of nine members; and its operation is governed by the 1937 Act and the by-laws, procedures, and policies adopted by the Board of Retirement. SamCERA issues a publicly available financial report that can be obtained by writing to the San Mateo County Employees' Retirement Association, 100 Marine Parkway, Suite 125, Redwood Shores, California 94065.

***Benefits Provided***

SamCERA provides service retirement, disability, and death benefits to plan members and beneficiaries based on defined benefit formulas using final average compensation, years of service, and age factors to calculate benefits payable. SamCERA has four plans that cover members classified as general, safety, or probation, and provides annual cost-of-living adjustments upon retirement to members of Plans One, Two, and Four. The benefits of Plan Three are reduced by a portion of Social Security benefits received by the member. The 1937 Act vests the County Board with the authority to initiate benefits, while Government Code Section 31592.2 empowers the Board of Retirement to provide certain ad hoc benefits when the Section 31592 reserve exceeds 1% of assets.

**San Mateo County Mosquito and Vector Control District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 7 – Defined Benefit Pension Plan and the Net Pension Liability (Continued)**

***Benefits Provided (Continued)***

General members in Plans One, Two, and Four may retire at any age after 30 years of service. Safety members and Probation members may retire at any age after 20 years of service. A member who leaves County service may withdraw his or her contributions, plus any accumulated interest. Members with five years of service, permanent part-time employees with five years of full-time service, or non-contributory members (Plan Three) with 10 years of service, may elect a deferred retirement when terminating their employment with the County or District.

***Contributions and Funding***

The 1937 Act established the basic obligations for employers and members to make contributions to the pension trust fund. The employer and member contribution rates are based on recommendations made by an independent actuary and adopted by the Board of Retirement. The participating employers are required by statutes to contribute the amounts necessary to fund the estimated benefits accruing to SamCERA members not otherwise funded by member contributions or expected investment earnings. Contribution rates are actuarially determined using the entry age normal method and consist of an amount for normal cost, the estimated amount necessary to finance benefits earned by members during the year, and an amount required to amortize the unfunded net pension liability. For the fiscal year ended June 30, 2014, the County's annual pension cost was equal to the County's annual required contributions of \$150 million determined by the actuarial valuation as of June 30, 2014, using the entry age normal actuarial cost method. The average employer contribution rate was 35% of the covered payroll, and the average member contribution rate was 9.98%.

<b>Contribution Type</b>	<b>District</b>
Contributions – employer	\$ 464,368
Contributions – members	139,782
<b>Total contributions</b>	<b>\$ 604,150</b>

**San Mateo County Mosquito and Vector Control District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 7 – Defined Benefit Pension Plan and the Net Pension Liability (Continued)**

*Actuarial Methods and Assumptions Used to Determine Total Pension Liability*

The actuarial assumptions included 3.00% annual inflation rate, 7.45% annual investment rate of return, and 3.50% average annual projected salary increase attributed to inflation of 3.75% and adjustment for merit and longevity of 1.2%. The June 30, 2014 total pension liabilities were based on the following actuarial methods and assumptions:

<b>Valuation Timing</b>	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.
<b>Actuarial Cost Method</b>	Individual Entry Age Normal
<b>Amortization Method:</b>	
Level percent or level dollar	Level percent
Closed, open, or layered periods	Layered
Amortization Period for Each Layer	15-years
Amortization Growth Rate	3.50%
<b>Asset Valuation Method:</b>	
Smoothing period	5-years
Recognition method	Non-asymptotic
Corridor	80% to 120% of market value
<b>Inflation</b>	3.00%
<b>Investment Rate of Return</b>	7.45% <sup>1</sup>
<b>Cost of Living Adjustments</b>	As described in the June 30, 2014 Actuarial Valuation
<b>Mortality</b>	Various rates based on RP-2000 mortality tables.

***Discount Rate***

The discount rate used to measure the total pension liability was 7.45 percent, which is gross of administrative and other investment expenses. A long-term investment return excluding administrative and other investment expenses would have been 7.25 percent. Management has determined that using the higher discount rate has resulted in a slightly lower total pension liability and net pension liability and the difference was deemed immaterial to the financial statements. The long-term expected rate of return on pension plan investments was determined in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were considered. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

**San Mateo County Mosquito and Vector Control District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 7 – Defined Benefit Pension Plan and the Net Pension Liability (Continued)**

*Discount Rate (Continued)*

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. Real returns by asset class as shown in the following table reflect the average arithmetic real return assumptions of the Plan’s investment consultants as of June 30, 2014.

<u>Investment Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Large Cap Equity	24.00%	5.96%
US Small Cap Equity	6.00%	6.70%
Developed International Equity	15.00%	6.84%
Emerging Market Equity	5.00%	9.51%
US Core Fixed Income	10.00%	1.58%
Developed International Fixed Income	3.00%	0.93%
High Yield Debt	3.00%	3.65%
Emerging Market Debt	2.00%	4.17%
TIPS	2.00%	1.43%
Private Equity	7.00%	9.73%
Absolute Return/Hedge Fund	4.00%	3.99%
Commodities	3.00%	3.78%
Infrastructure	2.00%	6.23%
Real Estate	6.00%	5.09%
Risk Parity	8.00%	6.28%
	<u>100.00%</u>	

**San Mateo County Mosquito and Vector Control District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 7 – Defined Benefit Pension Plan and the Net Pension Liability (Continued)**

***Changes in the Net Pension Liability***

The following table shows the changes in net pension liability recognized over the measurement period. For the fiscal year ended June 30, 2014, the District's share of SamCERA amounted to 0.30% of the Total Plan.

	Increase (Decrease)			District Share of Plan 0.30%
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)	
	(a)	(b)	(c) = (a) - (b)	
Balance at June 30, 2013	\$ 3,506,515,307	\$ 2,727,825,332	\$ 778,689,975	\$ 2,336,070
Changes recognized for the period:				
Service Cost	87,512,515	-	87,512,515	262,538
Interest on the total pension liability	265,430,896	-	265,430,896	796,293
Effect of economic/demographic gains(losses)	(31,415,241)	-	(31,415,241)	(94,246)
Effect of assumptions changes or inputs	37,853,852	-	37,853,852	113,562
Administrative expenses	-	(5,645,004)	5,645,004	16,935
Other non-investment expenses	-	(65,292)	65,292	196
Member contributions	-	46,593,698	(46,593,698)	(139,782)
Employer contributions	-	202,877,362	(202,877,362)	(608,632)
Net investment income	-	482,663,965	(482,663,965)	(1,447,992)
Benefit payments	(159,341,978)	(159,341,978)	-	-
Refunds of contributions	(3,214,129)	(3,214,129)	-	-
Net changes during July 1, 2013 to June 30, 2014	196,825,915	563,868,622	(367,042,707)	(1,101,128)
Balance at June 30, 2014	\$ 3,703,341,222	\$ 3,291,693,954	\$ 411,647,268	\$ 1,234,942

***District Proportionate Share of the Net Pension Liability***

Plan Type and Balance Descriptions	Plan Total Pension Liability	Plan Fiduciary Net Position	Change in Plan Net Pension Liability
Balance as of June 30, 2013	\$ 10,519,546	\$ 8,183,476	\$ 2,336,070
Balance as of June 30, 2014	\$ 11,110,024	\$ 9,875,082	\$ 1,234,942
<b>Change in Plan Net Pension Liability</b>	<b>\$ 590,478</b>	<b>\$ 1,691,606</b>	<b>\$ (1,101,128)</b>

The District's proportionate share of the net pension liability changed between fiscal years as follows:

Calculation Dates	District Percentage
Balance as of June 30, 2013	0.27%
Balance as of June 30, 2014	0.30%
<b>Change in Plan Net Pension Liability Percentage</b>	<b>0.03%</b>

**San Mateo County Mosquito and Vector Control District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 7 – Defined Benefit Pension Plan and the Net Pension Liability (Continued)**

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.45%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.45%) or 1 percentage-point higher (8.45%) than the current rate:

<u>Description</u>	<u>Plan's Net Pension Liability/(Asset)</u>		
	<u>Discount Rate - 1% 6.45%</u>	<u>Current Discount Rate 7.45%</u>	<u>Discount Rate + 1% 8.45%</u>
Total pension liability	\$4,211,205,524	\$3,703,341,222	\$3,285,014,150
Fiduciary net position	(3,291,693,954)	(3,291,693,954)	(3,291,693,954)
Net pension liability	<u>\$ 919,511,570</u>	<u>\$ 411,647,268</u>	<u>\$ (6,679,804)</u>
Net pension liability – District share 0.30%	<u>\$ 2,758,535</u>	<u>\$ 1,234,942</u>	<u>\$ (20,039)</u>

*Pension Expense*

For the measurement period ending June 30, 2014, the District incurred a pension expense of \$160,168 as follows:

	<u>Plan's Pension Expense</u>	<u>District's Pension Expense 0.30%</u>
<b>Pension expense:</b>		
Service Cost	\$ 87,512,515	262,538
Interest on the total pension liability	265,430,896	796,293
Administrative expenses	5,645,004	16,935
Other non-investment expenses	65,292	196
Member contributions	(46,593,698)	(139,782)
Expected investment return net of expenses	(211,727,481)	(635,182)
Recognition of Deferred Outflows/Inflows:		
Recognition of economic/demographic gains(losses)	(6,283,048)	(18,849)
Recognition of assumptions changes or inputs	7,570,770	22,713
Recognition of net investment gains(losses)	(54,187,297)	(162,562)
<b>Total pension expense before other changes</b>	<u>\$ 47,432,953</u>	<u>142,300</u>
Recognition of change in proportion		46,721
Recognition of difference in contributions		(28,853)
<b>Total pension expense</b>		<u>\$ 160,168</u>

**San Mateo County Mosquito and Vector Control District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 7 – Defined Benefit Pension Plan and the Net Pension Liability (Continued)**

*Deferred Outflows and Deferred Inflows of Resources Related to Pensions*

As of measurement date of June 30, 2014, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

<u>Account Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer contributions to pension plan made after the measurement date	\$ 522,893	\$ -
Changes in employer contributions and differences between proportionate share of pension expense	186,886	-
Changes of assumptions	90,849	-
Recognized net differences between projected and actual earnings on pension plan investments	-	(650,248)
Changes in employer contributions and differences between proportionate share of pension expense	-	(115,411)
Recognized portion of adjustment due to differences in proportions	-	(75,397)
<b>Total Deferred Outflows/(Inflows) of Resources</b>	<u>\$ 800,628</u>	<u>\$ (841,056)</u>
<b>Less:</b>		
<b>Deferred Outflows/(Inflows) of Resources that will be recognized in the following fiscal year:</b>		
Employer contributions to pension plan made after the measurement date	<u>\$ (522,893)</u>	<u>\$ -</u>
<b>Total Deferred Outflows/(Inflows) of Resources amounts to be amortized in future periods</b>	<u>\$ 277,735</u>	<u>\$ (841,056)</u>

The District will recognize \$522,893 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2016, as noted above.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period which SamCERA has determined as 5-years.

**San Mateo County Mosquito and Vector Control District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 7 – Defined Benefit Pension Plan and the Net Pension Liability (Continued)**

*Deferred Outflows and Deferred Inflows of Resources Related to Pensions (Continued)*

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

<u>Amortization Period</u> <u>Fiscal Year Ended June 30</u>	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
2015	\$ 69,433	\$ (210,264)
2016	69,433	(210,264)
2017	69,433	(210,264)
2018	69,436	(210,264)
2019	-	-
Thereafter	-	-
<b>Total</b>	<u>\$ 277,735</u>	<u>\$ (841,056)</u>

**Note 8 – Net Investment in Capital Assets**

Net investment in capital assets as of June 30, 2015 consisted of the following:

<u>Description</u>	<u>Balance</u>
Capital assets – not being depreciated	\$ 870,489
Capital assets – being depreciated, net	3,585,712
Capital leases – current portion	(18,395)
Capital leases – noncurrent portion	(57,386)
<b>Total net investment in capital assets</b>	<u>\$ 4,380,420</u>

**San Mateo County Mosquito and Vector Control District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

**Note 9 – Fund Balance**

A detailed schedule of fund balances and their funding composition at June 30, 2015 is as follows:

Description	Balance
<b>Nonspendable:</b>	
Materials and supplies inventory	\$ 81,863
Prepaid items	1,331
<b>Total nonspendable</b>	<b>83,194</b>
<b>Committed:</b>	
Compensated absences	208,780
<b>Assigned:</b>	
Natural disaster emergency	1,230,000
Public health emergency	950,000
Funding for OPEB irrevocable trust	1,691,649
Deposits with Vector Control Joint Powers Agency (VCJPA)	371,064
Reserve for specified capital outlay	430,000
<b>Total assigned</b>	<b>4,672,713</b>
<b>Unassigned:</b>	
Six month operating reserve	2,537,589
<b>Total unassigned</b>	<b>2,537,589</b>
<b>Total fund balances</b>	<b>\$ 7,502,276</b>

**Note 10 – Prior Period Adjustments**

Description	Balance
<b>Beginning net position as of July 1, 2014 – as previously reported</b>	<b>\$ 10,486,196</b>
Net pension liability – GASB Nos. 68/71 implementation	(2,336,070)
Employer contributions to pension plan made after the measurement date	608,632
Changes in employer contributions and differences between proportionate share of pension expense	233,607
Changes in employer contributions and differences between proportionate share of pension expense	(144,264)
<b>Total prior period adjustment for GASB Nos. 68/71</b>	<b>(1,638,095)</b>
<b>Beginning net position as of July 1, 2014 – as restated</b>	<b>\$ 8,848,101</b>

With the implementation of GASB Statements No. 68 and 71 in fiscal year 2015, the District was required to record a prior period adjustment of \$(1,638,095) to establish the net pension liability as of June 30, 2014 of \$(2,336,070) net of the deferred outflows of resources of \$842,239 and the deferred inflows of resources of \$(144,264) as prescribed by GASB Statements No. 68 and 71 accounting standards. (See Note 7 for further information on the net pension liability).

**San Mateo County Mosquito and Vector Control District**  
**Notes to the Financial Statements (Continued)**  
**For the Year Ended June 30, 2015**

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**Note 11 – Deferred Compensation Savings Plan**

For the benefit of its employees, the District participates in a 457 Deferred Compensation Program. The purpose of this Program is to provide deferred compensation for public employees that elect to participate in the Program. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of the participants. Accordingly, the District is in compliance with this legislation. Therefore, these assets are not the legal property of the District, and are not subject to claims of the District's general creditors.

The District has implemented GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Since the District has little administrative involvement and does not perform the investing function for this plan, the assets and related liabilities are not shown on the statement of net position.

**Note 12 – Risk Management**

***Self-Insurance and Joint Powers Agency***

The District participates with other districts in a joint venture under a joint powers agreement, which established the Vector Control Joint Powers Agency (VCJPA). The relationship between the District and the VCJPA is such that the VCJPA is not a component unit of the District for financial reporting purposes.

The VCJPA is a consortium of thirty-four districts located throughout California. It was established under the provisions of California Government Code Section 6500 et seq. The VCJPA is governed by a Board of Directors, which meets 4-5 times per year, consisting of one member from each of the four regions (Coastal, Sacramento Valley, San Joaquin Valley, and Southern California) and two members from the Trustee Advisory Council.

The District is covered for the first \$1,000,000 of each general liability claim and \$350,000 of each workers' compensation claim through the VCJPA. The District has the right to receive dividends or the obligation to pay assessments based on a formula, which, among other expenses, charges the District's account for liability losses and workers' compensation losses under their individual self-insured retention (SIR). The VCJPA participates in an excess pool, which provides general liability coverage above \$1,000,000 for each occurrence up to \$14,000,000.

The VCJPA also participates in an excess pool, which provides workers' compensation coverage from \$350,000 to \$150,000,000.

The District's share of the VCJPA's Members Trust Fund and Property Contingency Fund balance as of June 30, 2015 totaled \$371,064. The balance includes interest earnings and may be withdrawn upon leaving the plan with a sixty-day notice. At the termination of the joint powers agreement and after all claims have been settled, any excess or deficit will be divided among the districts in accordance with its governing documents.

**Note 13 – Contingencies**

***Litigation***

In the ordinary course of operations, the District is subject to other claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, other than the matter discussed above, will not materially affect its financial condition.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**San Mateo County Mosquito and Vector Control District**  
**Required Supplementary Information (Unaudited)**  
**Budgetary Comparison Schedule – General Fund**  
**For the Year Ended June 30, 2015**

	<b>Adopted Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES:</b>				
Taxes:				
Property taxes	\$ 1,852,972	\$ 1,852,972	\$ 1,912,947	\$ 59,975
Other tax revenues	300,000	300,000	396,172	96,172
Charges for services:				
Service abatement revenue	238,900	238,900	237,847	(1,053)
Special benefit assessment	1,423,500	1,423,500	1,427,237	3,737
Special mosquito control assessment	466,000	466,000	461,080	(4,920)
Interest earnings	36,200	36,200	47,466	11,266
Other revenues	5,525	5,525	282,243	276,718
<b>Total revenues</b>	<b>4,323,097</b>	<b>4,323,097</b>	<b>4,764,992</b>	<b>441,895</b>
<b>EXPENDITURES:</b>				
Current:				
Salaries and wages	1,834,519	1,834,519	1,868,139	(33,620)
Employee benefits	1,146,982	1,146,982	945,652	201,330
Materials and services	1,320,703	1,320,703	1,143,437	177,266
Capital outlay	236,662	236,662	316,009	(79,347)
Debt service:				
Principal	-	-	80,735	(80,735)
Interest	-	-	451	(451)
<b>Total expenditures</b>	<b>4,538,866</b>	<b>4,538,866</b>	<b>4,354,423</b>	<b>184,443</b>
<b>REVENUES OVER(UNDER)EXPENDITURES</b>	<b>(215,769)</b>	<b>(215,769)</b>	<b>410,569</b>	<b>626,338</b>
<b>OTHER FINANCING SOURCES(USES):</b>				
Capital lease issuance proceeds	-	-	108,100	(108,100)
Transfers in(out)	-	-	222,591	222,591
<b>Total other financing sources(uses)</b>	<b>-</b>	<b>-</b>	<b>330,691</b>	<b>114,491</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(215,769)</b>	<b>(215,769)</b>	<b>741,260</b>	<b>\$ 740,829</b>
<b>FUND BALANCES:</b>				
Beginning of year	6,761,016	6,761,016	6,761,016	
End of year	\$ 6,545,247	\$ 6,545,247	\$ 7,502,276	

**Notes to the Budgetary Comparison Schedule:**

The District follows specific procedures in establishing the budgetary data reflected in the financial statements. Each year the District prepares and submits an operating budget to the Board of Trustees no later than June of each year. The basis used to prepare the budget does not differ substantially from the modified accrual basis of accounting. The adopted budget becomes operative on July 1. The Board of Trustees must approve all supplemental appropriations to the budget and transfers between major accounts.

**San Mateo County Mosquito and Vector Control District**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**For the Year Ended June 30, 2015**

**Last Ten Fiscal Years**

**San Mateo County Employees' Retirement Association (SamCERA) – District Share**

	<b>2013-14<sup>1</sup></b>
Measurement period	
<b>Total pension liability:</b>	
Service cost	\$ 262,538
Interest on pension liability	796,293
Effect of assumption changes or inputs	113,562
Effect of economic/demographic gains(losses)	(94,246)
Benefit payments, including refunds of employee contributions	(487,669)
<b>Net change in total pension liability</b>	590,478
<b>Total pension liability - beginning</b>	10,519,546
<b>Total pension liability - ending (a)</b>	\$ 11,110,024
<b>Pension fiduciary net position:</b>	
Employer contributions	\$ 608,632
Member contributions	139,782
Investment income net of investment expenses	1,447,992
Benefit payments, including refunds of employee contributions	(487,669)
Administrative and other expenses	(17,131)
<b>Net change in plan fiduciary net position</b>	1,691,606
<b>Plan fiduciary net position - beginning</b>	8,183,476
<b>Plan fiduciary net position - ending (b)</b>	\$ 9,875,082
<b>Plan net pension liability - ending (a) - (b)</b>	\$ 1,234,942
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	88.88%
<b>Covered-employee payroll</b>	\$ 1,266,066
<b>Plan net pension liability as a percentage of covered-employee payroll</b>	97.54%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

**Notes to Schedule:**

Changes of Assumptions: There were no changes in assumptions.

**San Mateo County Mosquito and Vector Control District**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Contributions – Pension Plan**  
**For the Year Ended June 30, 2015**

**Last Ten Fiscal Years**

**San Mateo County Employees' Retirement Association (SamCERA) – District Share**

	<b>2014-15<sup>1</sup></b>	<b>2013-14<sup>1</sup></b>
Actuarially determined contribution	\$ 522,893	\$ 458,632
Contributions in relation to the actuarially determined contribution	(522,893)	(458,632)
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 1,304,048	\$ 1,266,066
Contributions as a percentage of covered-employee payroll	40.10%	36.22%

<sup>1</sup> Historical information is required only for measurement periods for which GASB 68 is applicable.

**Notes to Schedule:**

<b>Valuation Timing</b>	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.
<b>Actuarial Cost Method</b>	Individual Entry Age Normal
<b>Amortization Method:</b>	
Level percent or level dollar	Level percent
Closed, open, or layered periods	Layered
Amortization Period for Each Layer	15-years
Amortization Growth Rate	3.50%
<b>Asset Valuation Method:</b>	
Smoothing period	5-years
Recognition method	Non-asymptotic
Corridor	80% to 120% of market value
<b>Inflation</b>	3.00%
<b>Investment Rate of Return</b>	7.45%
<b>Cost of Living Adjustments</b>	As described in the June 30, 2014 Actuarial Valuation
<b>Mortality</b>	Various rates based on RP-2000 mortality tables.

**San Mateo County Mosquito and Vector Control District**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Funding Progress – Other Post-Employment Benefits Plan**  
**For the Year Ended June 30, 2015**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2015	\$ -	\$ 1,917,360	\$ 1,917,360	0.00%	\$ 1,777,244	107.88%
June 30, 2014	\$ -	\$ 1,728,953	\$ 1,728,953	0.00%	\$ 1,623,954	106.47%
June 30, 2013	\$ -	\$ 1,594,541	\$ 1,594,541	0.00%	\$ 1,445,367	110.32%

**Note 1 – Other Post-Employment Benefits**

Funding progress is presented for the year(s) that an actuarial study has been prepared since the effective date of GASB Statement No. 45. Actuarial review and analysis of the post-employment benefits liability and funding status is performed every three years or annually, if there are significant changes in the plan. The next scheduled actuarial review and analysis of the post-employment benefits liability and funding status will be performed in fiscal year 2016, based on the year ending June 30, 2015.