

**NAPA COUNTY MOSQUITO ABATEMENT DISTRICT**

**AMERICAN CANYON, CALIFORNIA**

**BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
Napa County Mosquito Abatement District  
American Canyon, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Napa County Mosquito Abatement District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Napa County Mosquito Abatement 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 State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 our 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, we consider internal control relevant to Napa County Mosquito Abatement District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Napa County Mosquito Abatement District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Napa County Mosquito Abatement District, as of June 30, 2018, 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.

Other Matters

*Required Supplementary Information*

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

*R. J. Ricciardi, Inc.*

R.J. Ricciardi, Inc.  
Certified Public Accountants

San Rafael, California  
December 13, 2018, except with respect to Note 12, for which the date is July 19, 2019.

Napa County Mosquito Abatement District  
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

This section of Napa County Mosquito Abatement District's (the District's) basic financial statements presents management's overview and analysis of the financial activities of the organization for the fiscal year ended June 30, 2018. We encourage the reader to consider the information presented here in conjunction with the basic financial statements as a whole.

### **Introduction to the Basic Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's audited financial statements, which are comprised of the basic financial statements. This annual report is prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for States and Local Governments*. The Single Governmental Program for Special Purpose Governments reporting model is used which best represents the activities of the District.

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

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

### **The Basic Financial Statements**

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

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

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

The Fund Financial Statements report the District's operations in more detail than the Government-wide statements and focus primarily on the short-term activities of the District's General Fund and other Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for the major financial activities of the District and are presented individually. Major Funds are explained below.

### **The Government-wide Financial Statements**

Government-wide Financial Statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the District as a whole.

Napa County Mosquito Abatement District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2018

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

Governmental Activities

The District's basic services are considered to be governmental activities. These services are supported by general District revenues such as taxes, and by specific program revenues such as benefit assessments and service charges.

**Fund Financial Statements**

The Fund Financial Statements provide detailed information about each of the District's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually; the District has no Non-major Funds. Major Funds present the major activities of the District for the year, and may change from year to year as a result of changes in the pattern of the District's activities.

In the District's case, the General Fund is the only Major Governmental Fund.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Comparisons of Budget and Actual financial information are presented for the General Fund.

**Analyses of Major Funds**

Governmental Funds

General Fund revenues increased overall by \$235,761 (see table 2 on page 6). Ad valorem property taxes increased \$179,868, and overall taxes and assessments reflected an increase of \$185,270. Actual revenues received for 2017/2018 were \$2,653,437, which was \$402,884 more than estimated amounts (see page 26).

General fund expenditures were \$2,690,531 (see page 9 column 1), an increase of \$834,340 from the prior year. Total District expenditures were \$616,556 more than budgeted.

Replacement of the District's ageing fleet of trucks was completed and it is anticipated that replacement of the ATV fleet will occur in fiscal year 2018/2019. Resealing of the black top and other facility maintenance was also completed. Work was also initiated to upgrade the District's data information management system which should be completed in 2018/2019.

The District continues to closely manage its pension and Other Post-Employment Benefits (OPEB) debt in order to meet its goal of maintaining a minimum funded status of ninety percent. In support of that goal, the District established an IRS 115 trust account with Public Agency Retirement Services (PARS) to help offset incurred debt when the CalPERS pension plan does not meet its net annual investment return target of seven percent. Contributions to the trust totaled \$75,000 for 2017/2018. Careful vigilance of both the CalPERS pension and OPEB debt as well as future additional contributions to the PARS 115 trust will be required if the District is to meet its goal of achieving and maintaining a net positive position.

Napa County Mosquito Abatement District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
 June 30, 2018

**Governmental Activities**

Table 1  
Governmental Net Position

	Governmental Activities	
	2018	2017
Cash and investments	\$ 4,309,481	\$ 3,660,826
Other assets	295,074	287,081
Capital assets	<u>1,778,647</u>	<u>1,761,055</u>
Total assets	<u>6,383,202</u>	<u>5,708,962</u>
Deferred outflows of resources	<u>1,961,416</u>	<u>996,866</u>
Current liabilities	148,965	72,462
Noncurrent liabilities	<u>428,281</u>	<u>307,534</u>
Total liabilities	<u>577,246</u>	<u>379,996</u>
Deferred inflows of resources	<u>752,162</u>	<u>533,831</u>
Net position		
Invested in capital assets	1,778,647	1,761,055
Restricted for OPEB Trust	617,239	-
Unrestricted	<u>4,619,324</u>	<u>4,030,946</u>
Total net position	<u>\$ 7,015,210</u>	<u>\$ 5,792,001</u>

The District's governmental net position amounted to \$7,015,210 as of June 30, 2018, an increase of \$1,223,209 from 2017. This increase is the Change in Net Position reflected in the Governmental Activities column of the Statement of Activities shown in Table 2, plus the prior period adjustment of \$663,301 (page 9). The District's net position as of June 30, 2018 comprised the following:

- Cash and investments of \$3,692,242. Substantially all of these amounts were held in short term investments in government securities, as detailed in Note 5 of the basic financial statements. This does not include OPEB Trust net asset of \$617,239. The total cash and investments were \$4,309,481.
- Receivables of \$107,495 of current receivables.
- Pesticide inventory of \$187,579.
- Capital assets of \$1,778,647 net of depreciation charges, which includes all the District's capital assets used in governmental activities.
- Current liabilities, including accounts payable, claims and other amounts due currently, totaling \$148,965. Noncurrent liabilities include compensated absences of \$32,035 and net pension liability of \$396,246.
- Net position invested in capital assets, net of related debt, of \$1,778,647, representing the District's investment in capital assets used in Governmental Activities, net of amounts borrowed to finance that investment.
- Restricted Net Position – This amount consists of amounts restricted for retiree health premiums in the California Employee Retiree Benefit Trust with CalPERS.

Napa County Mosquito Abatement District  
MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

- Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. The District has \$4,619,324 of unrestricted net position as of June 30, 2018. This amount includes six months carryover until the District receives its first installment of tax revenues in December 2018.

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

Table 2  
Changes in Governmental Net Position

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
<u>Expenses</u>		
Public health	\$ 2,093,529	\$ 1,822,596
Total expenses	<u>2,093,529</u>	<u>1,822,596</u>
<u>Revenues</u>		
Program revenues:		
Charges for services	<u>17,326</u>	<u>79,675</u>
Total program revenues	<u>17,326</u>	<u>79,675</u>
General revenues:		
Taxes and assessments	2,493,424	2,308,154
Use of money	28,245	14,911
Other	<u>114,442</u>	<u>14,936</u>
Total general revenues	<u>2,636,111</u>	<u>2,338,001</u>
Total revenues	<u>2,653,437</u>	<u>2,417,676</u>
Change in net position	<u>\$ 559,908</u>	<u>\$ 595,080</u>

As Table 2 above shows, \$17,326, or 1%, of the District's fiscal year 2018 governmental revenue came from program revenues and \$2,636,111 or 99%, came from general revenues such as taxes and assessments.

General revenues are not allocable to programs. General revenues are used to pay for the net cost of governmental programs.

Capital Assets: Detail on capital assets, current year additions and construction in progress can be found in Note 6.

Debt Administration: The District currently does not utilize long-term debt to fund operations or growth. The District (as of the 6/30/17 plan measurement date) does have a net pension liability of \$396,246 (note 8, page 18).

The District continues to carefully watch and manage its pension debt obligation to support its goal of achieving and maintaining a net positive position. Due to the small size of the District (less than 10 employees), the District participates in a multiple employer risk pool - the CalPERS Miscellaneous Cost-Sharing Multiple Employer Defined Benefit Pension Plan. The District's GASB Statement No. 68 accounting valuation report (measurement date 30 June 2017) indicates the District's proportionate share of the risk pool collective net position and liability as follows:



Napa County Mosquito Abatement District  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
 June 30, 2018

	Increase (Decrease)		
	District Total Pension Liability (a)	District Fiduciary Net Position (b)	District Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at: 6/30/2016 (VD)	\$6,488,887	\$6,209,997	\$278,890
Balance at: 6/30/2017 (MD)	\$7,202,641	\$6,806,395	\$396,246
Net Changes during 2016-17	\$713,754	\$596,398	\$117,356

The District will continue to closely monitor its pension liability as well as make additional contributions in future years in an effort to achieve its goal of fully funded status. As of the 30 June 2017 measurement date, the District's proportionate share of the fiduciary net position (funded status) was 94.4%. It should be noted that the District anticipates its funded status will show some decline as a result of a CalPERS phased in decrease in the discount rate from 7.5% to 7%. The estimated total cost is presently projected be \$450,000. This cost does not include debt that may occur as a result of staff retirements, hiring of new staff, poor investment returns, increases in total annual salaries that exceed 3% per annum, and other changes that may be implemented by the CalPERS Board such as actuarial methods and discount rate used.

The District also maintains a trust account with CalPERS to address its Other Post-Employment Benefits (OPEB) funding requirement (also commonly referred to as GASB 45). A conservative approach has been adopted with respect to contributions and expected investment returns. Every two years the District is required to have an actuarial valuation performed to determine its liability and net position. The 2017 valuation report reflected the District's decision to continue a moderate investment strategy (CalPERS strategy 2 - mix of stocks, bonds and cash investments with stocks comprising approximately 55% of the portfolio) and adopt a discount rate of 5.0% (1.73% less than the CalPERS discount rate of 6.73% for investment strategy 2). As of 30 June 2018, the District has been able to achieve a funded status of more than 95%. A new actuarial analysis is scheduled for completion October 2019. This report will reflect the District's continued moderate investment strategy and use of a 5% discount rate. The adoption of the 5% discount rate reflects the District's belief that the expected net average annual investment return over the next 20 years will be approximately 4% to 5%.

The District will continue its conservative approach as well as prefunding OPEB liabilities by contributing at least 100% of the annual required contribution each year. Similar to the unfunded pension liability, the District will continue to closely monitor its OPEB liability as well as make additional contributions in future years, as needed, in an effort to achieve and maintain its goal of fully funded status.

Economic Outlook and Major Initiatives: The District's financial position continues to be adequate. Financial planning is based on specific assumptions from recent trends in real property values, new residential development, State of California economic forecasts and historical growth patterns in the various communities served by the District.

The economic condition of the District as it appears on the balance sheet reflects financial stability and the potential for organizational growth. The District will continue to maintain a watchful eye over expenditures and remain committed to sound fiscal management practices to deliver the highest quality service to the citizens of the area.

**Contacting the District's Financial Management**

This comprehensive Annual Financial Report is intended to provide citizens, taxpayers, and creditors with a general overview of the District's finances. Questions about this report should be directed to P.O Box 10053, American Canyon, CA 94503.

Napa County Mosquito Abatement District  
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2018

	<u>General Fund Restated</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Position Restated</u>
<b>ASSETS</b>			
Cash and investments	\$ 3,692,242	\$ -	\$ 3,692,242
Cash and investments OPEB Trust	-	617,239	617,239
Accounts receivable	107,495	-	107,495
Inventory (pesticide storage)	187,579	-	187,579
Capital assets:			
Non-depreciable	-	142,128	142,128
Depreciable, net of accumulated depreciation	-	1,636,519	1,636,519
Total assets	<u>\$ 3,987,316</u>	<u>2,395,886</u>	<u>6,383,202</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>			
Deferred outflow of resources - OPEB		590,613	590,613
Deferred outflow of resources - pension		1,370,803	1,370,803
Total deferred outflows		<u>1,961,416</u>	<u>1,961,416</u>
<b>LIABILITIES</b>			
Liabilities:			
Accounts Payable	\$ 116,759	-	116,759
Accrued expenses	32,206	-	32,206
Long-term liabilities:			
Compensated absences due in more than one year	-	32,035	32,035
Net pension liability	-	396,246	396,246
Total liabilities	<u>148,965</u>	<u>428,281</u>	<u>577,246</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Deferred inflow of resources - OPEB	-	324,964	324,964
Deferred inflow of resources - pension	-	427,198	427,198
Total deferred inflows	<u>-</u>	<u>752,162</u>	<u>752,162</u>
<b>FUND BALANCES / NET POSITION</b>			
Fund balances:			
Assigned for public health	3,838,351	(3,838,351)	-
Total fund balances	<u>3,838,351</u>	<u>(3,838,351)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 3,987,316</u>		
Net Position:			
Invested in capital assets, net of related debt		1,778,647	1,778,647
Restricted for OPEB Trust		617,239	617,239
Unrestricted		4,619,324	4,619,324
Total net position		<u>\$ 7,015,210</u>	<u>\$ 7,015,210</u>

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

Napa County Mosquito Abatement District  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT  
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2018

	General Fund Restated	Adjustments (Note 4)	Statement of Activities Restated
Expenditures/expenses:			
Public health	\$ 2,690,531	\$ (597,002)	\$ 2,093,529
Total expenditures/expenses	<u>2,690,531</u>	<u>(597,002)</u>	<u>2,093,529</u>
Program revenues:			
Charges for services	<u>17,326</u>	<u>-</u>	<u>17,326</u>
Net program expense	<u>2,673,205</u>	<u>-</u>	<u>2,076,203</u>
General revenues:			
Property taxes	1,474,138	-	1,474,138
Benefit assessments	1,019,286	-	1,019,286
Interest	28,245	-	28,245
Other	<u>114,442</u>	<u>-</u>	<u>114,442</u>
Total general revenues	<u>2,636,111</u>	<u>-</u>	<u>2,636,111</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(37,094)</u>	<u>37,094</u>	<u>-</u>
Changes in net position	<u>-</u>	<u>559,908</u>	<u>559,908</u>
Fund balance/net position at beginning of period	3,875,445	1,916,556	5,792,001
Prior period adjustment	<u>-</u>	<u>663,301</u>	<u>663,301</u>
Fund balance/net position at beginning of period restated	<u>3,875,445</u>	<u>2,579,857</u>	<u>6,455,302</u>
Fund balance/net position at end of period	<u>\$ 3,838,351</u>	<u>\$ 3,176,859</u>	<u>\$ 7,015,210</u>

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

Napa County Mosquito Abatement District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2018

NOTE 1 - GENERAL

Napa County Mosquito Abatement District (the District) was established in 1925 as a special district of the State of California formed and operated pursuant to Health and Safety Code section 2000 et. seq., for the purpose of controlling mosquitoes, flies, or other disease-carrying organisms in Napa County. Controls include the direct treatment or reduction of habitat such as standing water, swamp land, marshes, or excess growth of weeds within the territory of the District and areas with a proximity that such vectors may disperse from there into the territory.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The District's basic financial statements are prepared in conformity with U.S. generally accepted accounting principles. 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 U.S.A.

The District has chosen to present its basic financial statements using the reporting model for special purpose governments engaged in a single government program.

This model allows the fund financial statements and the government-wide statements to be combined using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements rather than at the bottom of the statements or in an accompanying schedule.

**Government-wide Financial Statements**

The statement of net position and the statement of activities include the financial activities of the overall District government.

The District's basic financial statements reflect only its own activities; it has no component units (other government units overseen by the District). The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

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

**Fund Financial Statements**

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

Napa County Mosquito Abatement District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Major Funds

GASB Statement No. 34 defines major funds and requires that the District's major governmental type funds be identified and presented separately in the fund financial statements. Major funds are defined as funds that have assets, liabilities, revenues, or expenditures equal to ten percent of their fund-type total and five percent of the grand total.

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

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

C. Basis of Accounting

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

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

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

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. The District's policy is to first apply cost-reimbursement grant resources to such programs, followed by general revenues.

D. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Formal budgetary integration is employed as a management control device.

E. Estimates

The preparation of basic financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Napa County Mosquito Abatement District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Property Taxes

The District receives property taxes from the County of Napa (the County), which has been assigned the responsibility for assessment, collection, and apportionment of property taxes for all taxing jurisdictions within the County. Secured property taxes are levied on July 1 for the following fiscal year and on which date it becomes a lien on real property. Secured property taxes are due in two installments on November 1 and February 1 and are delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the July 1 lien date and become delinquent if unpaid by August 31.

The District participates in the County's "Teeter Plan" method of ad valorem property tax distribution and thus receives 100% of the District's apportionment each fiscal year, eliminating the need for an allowance for uncollectible taxes. The County, in return, receives all penalties and interest on the related delinquent taxes. Under the Teeter Plan, the County remits property taxes to the District based on assessments, not on collections, according to the following schedule: 55 percent in December, 40 percent in April, and 5 percent at the end of the fiscal year. Property tax is recognized when it is available and measurable. The District considers property tax as available if it is received within 60 days after fiscal year end. The Teeter Plan does not apply to the District's voter approved benefit assessment.

G. Other Revenues

Other revenues include, but are not limited to, sales of equipment, rebate checks and insurance refunds.

H. Capital Assets

Purchased capital assets are stated at historical cost or estimated historical cost when original cost is not available. Donated capital assets are recorded at their estimated fair value at the date of donation. The District's policy is to capitalize all capital assets with costs exceeding a minimum threshold of \$5,000. Depreciation is recorded using the straight-line method over the estimated useful lives of the capital assets, which range from 15 to 20 years for field equipment, 5 to 10 years for office equipment, and 8 to 10 years for vehicles. Depreciation expense for the year ended June 30, 2018 was \$121,187.

I. Encumbrances

Encumbrance accounting is used during the fiscal year for budgetary control. Encumbrances outstanding at the fiscal year end do not constitute expenditures or liabilities, but rather, a reservation of fund balance. The District honors contracts represented by fiscal year end encumbrances and the appropriations carried over provide authority to complete these transactions in the following fiscal year. The District did not have any reserve for encumbrances at June 30, 2018.

J. Inventory

Inventory represents various pesticide materials that have been stated at cost determined by the first-in, first-out method. The costs of inventory are recorded as expenses when consumed rather than when purchased.

Napa County Mosquito Abatement District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

K. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, the District recognizes deferred outflows and inflows of resources.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period.

L. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Napa County Mosquito Abatement District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Net Position and Fund Balances

**Government-wide Financial Statements:**

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that contributed to the acquisition, construction, or improvement of the capital assets.

Restricted Net Position – This amount consists of amounts restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position – This amount is all remaining net position that does not meet the definition of “invested in capital assets, net of related debt” or “restricted net position.”

**Fund Financial Statements:**

Unassigned Fund Equity – The residual classification for the government's general fund that includes all amounts not contained in other classifications.

Assigned Fund Equity – Amounts intended to be used by the government for specific purposes but that do not meet the criteria to be classified as restricted or committed.

Napa County Mosquito Abatement District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 3 - RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET WITH THE STATEMENT OF NET POSITION

Reconciling adjustments are as follows:

Capital assets used in governmental activities are not current assets or financial resources and therefore are not reported in governmental funds	\$ 1,778,647
Non-current portion of compensated absences	(32,035)
Deferred inflows related to pension and OPEB	(752,162)
Deferred outflows related to pension and OPEB	1,961,416
Net position OPEB trust	617,239
Net pension liability	(396,246)
Total fund balances – governmental funds	3,838,351
Net position of governmental activities	\$ 7,015,210

NOTE 4 - RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES WITH THE STATEMENT OF ACTIVITIES

Reconciling adjustments are as follows:

Net change in fund balance – total governmental funds:	\$ (37,094)
Depreciation expense is deducted from fund balance:	(121,187)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. The capital outlay expenditures are therefore added back to fund balance:	138,779
The amounts below included in the statement of activities do not provide (require) the use of current financial resources and, therefore, are not reported as revenues or expenditures in governmental funds (net change):	
Governmental funds record pension expense as it is paid. However, in the statement of activities those costs are reversed as deferred outflows/ (inflows) and an increase/(decrease) in net pension liability.	363,214
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Government funds record OPEB and compensated absences expense as they are paid:	216,196
Change in net position of governmental activities	\$ 559,908



Napa County Mosquito Abatement District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2018

NOTE 5 - CASH AND INVESTMENTS

Cash and investments at June 30, 2018 consisted of the following:

Pooled cash at Napa County	\$ 2,531,145
Met-life common stock	2,066
Deposit – Vector Control Joint Powers Agency	<u>1,159,031</u>
	<u>\$ 3,692,242</u>

Authorized Investments: Under provision of the District’s Investment Policy, and in accordance with Section 53601 of the California Government Code, the District may invest in the following types of investments: County of Napa cash and investment pool, Negotiable Certificates of Deposit, Vector Control Joint Powers Agency investment pool, Public Agency Retirement Services Pool, California Employees Retirees Benefit Trust and Local Agency Investment Fund (State Pool) Deposits.

Fair Value Hierarchy

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

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

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

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

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

The District maintains specific cash deposits with the County and voluntarily participates in the external investment pool of the County. The County is restricted by state code in the types of investments it can make. The balance at June 30, 2018 was \$2,531,145. Furthermore, the County Treasurer has a written investment policy, approved by the Board of Supervisors, which is more restrictive than state code as to terms of maturity and type of investment. Also, the County has an investment committee, which performs regulatory oversight for its pool as required by California Government Code Section 27134.

The County’s investment policy authorizes the County to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, certificates of deposit, commercial paper rated A-1 by Standard & Poor’s Corporation or P-1 by Moody’s Commercial Paper Record, bankers’ acceptances, repurchase agreements, and the State Treasurer’s investment pool. At June 30, 2018, the District’s cash with the County Treasurer is stated at fair value. However, the value of the pool shares in the County that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the District’s position in the pool.

The District maintains specific cash deposits with the Vector Control Joint Powers Agency (see related Note 9). The balance at June 30, 2018 was \$1,159,031.

Napa County Mosquito Abatement District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 5 - CASH AND INVESTMENTS (concluded)

The following is a summary of the fair value hierarchy of the fair value of investments of the District as of June 30, 2018:

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Exempt</u>	<u>Total</u>
Vector Control Joint Powers Agency	\$ -	\$ 1,159,031	\$ -	\$ 1,159,031
Napa County Treasurer's Investment Pool	-	2,531,145		2,531,145
Met-life common stock	<u>2,066</u>	<u>-</u>	<u>-</u>	<u>2,066</u>
Total Investments	<u>\$ 2,066</u>	<u>\$ 3,690,176</u>	<u>\$ -</u>	<u>\$ 3,692,242</u>

Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The Vector Control Joint Powers Agency classified in Level 2 of the fair value hierarchy, is valued using quoted prices for a non-active market portfolio at fiscal year end. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank.

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. The actual ratings as of June 30, 2018 are provided by Standard and Poor's except as noted.

<u>Investment Type</u>	<u>Total</u>
Money Market Mutual Funds	\$ -
<b>Not rated:</b>	
Vector Control Joint Powers Agency	1,159,031
Napa County Treasurer's Investment Pool	2,531,145
Met-life common stock	<u>2,066</u>
Total cash and Investments	<u>\$ 3,692,242</u>

NOTE 6 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2018, was as follows:

	<u>Balance as of July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance as of June 30, 2018</u>
Capital assets, not depreciated				
Land	\$ 142,128	\$ -	\$ -	\$ 142,128
Total capital assets, not depreciated	<u>142,128</u>	<u>-</u>	<u>-</u>	<u>142,128</u>
Capital assets, being depreciated:				
Buildings	2,508,981	-	-	2,508,981
Vehicles	446,460	138,779	-	585,239
Equipment	<u>390,732</u>	<u>-</u>	<u>-</u>	<u>390,732</u>
Total capital assets, being depreciated	<u>3,346,173</u>	<u>\$ 138,779</u>	<u>\$ -</u>	<u>3,484,952</u>
Less: accumulated depreciation	(1,727,246)			(1,848,433)
Total capital assets, being depreciated, net	<u>1,618,927</u>			<u>1,636,519</u>
Capital assets, net	<u>\$ 1,761,055</u>			<u>\$ 1,778,647</u>

Napa County Mosquito Abatement District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 7 - LONG-TERM DEBT

A. Summary of Changes in Long-Term Debt

The following represents changes in long-term debt during the fiscal year:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due within 1 year
Compensated absences	\$ 28,644	\$ 3,391	\$ -	\$ 32,035	\$ -
Total	\$ 28,644	\$ 3,391	\$ -	\$ 32,035	\$ -

B. Compensated Absences

Compensated absences consist of accrued vacation at June 30, 2018. The District's full-time employees accrue between 3.08 and 4.7 vacation hours every two weeks. The District's part-time employees accrual is pro-rated based on the number of hours worked.

NOTE 8 - DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plan

Plan Descriptions - All qualified employees are eligible to participate in the District's separate Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 (Classic) and age 57 (PEPRA) with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2.7% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	57 - 67
Monthly benefits, as a % of eligible compensation	2.0% to 2.7%	1.0% to 2.5%
Required employee contribution rates	8%	6.5%
Required employer contribution rates	12.429%	6.93%

Napa County Mosquito Abatement District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLAN (continued)

A. General Information about the Pension Plan (concluded)

The District's Miscellaneous Plans are part of the public agency cost-sharing multiple-employer defined benefit pension plan (PERF C), which is administered by the California Public Employees' Retirement System (CalPERS). PERF C consists of a miscellaneous pool and a safety pool (also referred to as "risk pools"), which are comprised of individual employer miscellaneous and safety rate plans, respectively. Individual employers may sponsor more than one miscellaneous and safety rate plan. The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. The District sponsors two miscellaneous rate plans.

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

For the year ended June 30, 2018, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous
Contributions – employer	\$614,185

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the net pension liability of the Miscellaneous Plans as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 396,246

The District's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2017, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2016 and 2017 was as follows:

	Miscellaneous
Proportion - June 30, 2016	.0080%
Proportion - June 30, 2017	.0101%
Change – Increase (Decrease)	.0020%

Napa County Mosquito Abatement District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLAN (continued)

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

For the year ended June 30, 2018, the District recognized pension expense of \$254,024. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 614,185	\$ -
Differences between actual and expected experience	2,425	34,704
Changes in assumptions	300,551	22,919
Net differences between projected and actual earnings on plan investments	67,971	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	385,671	369,575
Total	\$ 1,370,803	\$ 427,198

\$614,185 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30</u>		
2019		\$ 106,288
2020		181,907
2021		81,582
2022		(40,357)
Thereafter		-

Actuarial Assumptions - For the measurement period ended June 30, 2017, the total pension liability was determined by rolling forward the June 30, 2016 total pension liability. The June 30, 2017 total pension liability was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.15% (1)
Mortality	Derived using CalPERS Membership Data for all Funds (2)

(1) Net of pension plan investment expenses, including inflation.

Napa County Mosquito Abatement District  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLAN (continued)

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

(2) The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on the CalPERS website.

Discount Rate - The discount rate used to measure the total pension liability was 7.15% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB Statement Nos. 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

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.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long term (11-60 years) using a building block approach.

Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the 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. These rates of return are net of administrative expenses.

Napa County Mosquito Abatement District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 8 - DEFINED BENEFIT PENSION PLAN (concluded)

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

<u>Asset Class</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1-10</u>	<u>Real Return Years 11+</u>
Global Equity	47%	4.90%	5.38%
Global Fixed Income	19%	0.80	2.27%
Inflation Sensitive	6%	0.60	1.39%
Private Equity	12%	6.60	6.63%
Real Estate	11%	2.80	5.21%
Infrastructure and Forestland	3%	3.90	5.36%
Liquidity	<u>2%</u>	(0.40)	(0.90)%
Total	<u>100%</u>		

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net Pension Liability	\$1,386,947
Current Discount Rate	7.15%
Net Pension Liability	\$396,246
1% Increase	8.15%
Net Pension Liability	(\$424,270)

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

NOTE 9 - SELF-INSURANCE

The District participates with other public entities in a joint venture under a joint powers agreement that established the Vector Control Joint Powers Agency (VCJPA). The VCJPA is a consortium of 35 mosquito abatement or vector control districts in the State of California. It was established under the provisions of California Government Code Section 6500 et. seq. The day-to-day business is handled by a risk management group employed by VCJPA.

The District is covered for the first \$1,000,000 of each general liability claim and \$350,000 of each workers' compensation claim through VCJPA. The District has the right to receive dividends and the obligation to pay assessments based on a formula which, among other expenses, charges the District's account for liability losses under \$10,000 and workers' compensation losses under \$25,000. The VCJPA participates in an excess pool that provides general liability coverage from \$1,000,000 to \$9,000,000. The VCJPA participates in an excess pool that provides workers' compensation coverage from \$1,000,000 to \$25,000,000. The District is covered for property damage from \$5,000 to \$500,000,000 and auto damage up to \$30,000 per accident, business travel up to \$150,000 and environmental damage from \$5,000 to \$1,000,000.

Napa County Mosquito Abatement District  
NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2018

NOTE 9 - SELF-INSURANCE (concluded)

Cash deposits of \$1,159,031 with the VCJPA are maintained to help offset costs of unexpected potential claims including required deductible contributions. The deposit with the VCJPA also covers the 15% deductible for earthquake insurance that the District has as a separate policy outside of the VCJPA.

NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN RETIREMENT

Plan Description

The District's defined benefit post-employment healthcare plan, Napa County Mosquito Abatement District Other Post-Employment Benefit Program, provides medical benefits to eligible retired District employees and their beneficiaries. Napa County Mosquito Abatement District Other Post-Employment Benefit Program is affiliated with the California Employers Retiree Benefit Trust (CERBT), an agent multiple-employer post-employment healthcare plan administered by the California Public Employees' Retirement System (PERS). PERS issues a publicly available financial report that includes financial statements and required supplementary information for CERBT. That report may be obtained by writing to the Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the CERBT Board of Trustees. Napa County Mosquito Abatement District Other Post-Employment Benefit Program members receiving benefits contribute \$0 per month for retiree-only coverage and \$0 per month for retiree and spouse coverage to age 65, and \$0 and \$0 per month, respectively, thereafter.

The District passed resolutions to participate in the California Employers Retirees Benefit Trust (CERBT), an irrevocable trust established to fund OPEB. CERBT is administered by CalPERS, and is managed by an appointed board not under the control of the Board of Directors. These Trusts are not considered a component unit by the District and have been excluded from these financial statements. Separately issued financial statements for CERBT may be obtained from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

Annual OPEB Cost and Net OPEB Obligation/(Asset)

Employees Covered by Benefit Terms

At June 30, 2016 (the census date), the benefit terms covered the following employees:

Inactive employees or beneficiaries currently receiving benefit payments:	5
Inactive employees entitled to but not yet receiving benefit payment:	0
Active plan members:	8

Contributions

The District establishes rates based on an actuarially determined rate.

For the year ended June 30, 2018 the District's expected contribution rate is 37.31% of covered-employee payroll. The District currently pays the monthly premium.



Napa County Mosquito Abatement District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN RETIREMENT (continued)

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 30, 2017.

Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation: 2.75%

Salary increases: Aggregate salary increases of 3.25%. Individual salary increases based on CalPERS.

Investment rate of return: 5.00%

Healthcare cost trend rates: 6.00% in the first year, trending down to 5.00% over 3 years.

Mortality rates were based on MacLeod Watts Scale 2017 applied generationally.

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
International Stocks	7.2%	5.52%
Large Cap Value	2.5%	5.39%
Large Cap Growth	2.5%	5.39%
Large Cap Core	9.8%	5.39%
Small Cap	4.5%	5.73%
Mid Cap	2.2%	5.73%
Real Estate	1.4%	4.25%
Cash	3.5%	5.39%
Inter-Term Bond	53.5%	0.65%
Short-Term Bond	10.1%	2.08%
Floating Rate Note	2.8%	2.08%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total OPEB liability was 5.00%. The projection of cash flows used to determine the discount rate assumed that the District contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to cover all future OPEB payments. Therefore, the discount rate was set equal to the long-term expected rate of return.

Napa County Mosquito Abatement District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN RETIREMENT (continued)

Changes in the Net OPEB Liability

Fiduciary Net Position at Fiscal Year Ending 6/30/2017 <i>Measurement Date 6/30/2016</i>	\$ 2,638,110
Changes during the period:	
Investment income	191,652
Employer contributions	202,844
Benefit payments	(67,844)
Net Changes in Fiscal Year 2017-2018	326,652
Fiduciary Net Position at Fiscal Year Ending 6/30/2018 <i>Measurement Date 6/30/2017</i>	<u>\$ 2,964,762</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The net OPEB Asset of the District, as well as what the District's net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (4.00%) or one percentage point higher (6.00%) follows:

Plan's Net OPEB Liability/(Asset)		
1% Decrease (4.0%)	Current Discount Rate (5.0%)	1% Increase (6.0%)
\$ (294,854)	\$ (617,239)	\$ (881,050)

Sensitivity of the net OPEB asset to changes in the healthcare cost trend rates. The net OPEB asset of the District, as well as what the District's net OPEB asset would be if it were calculated using healthcare cost trend rates that are one percentage point lower (-1.00%) or one percentage point higher (1.00%) than current healthcare cost trend rates follows:

Plan's Net OPEB Liability/(Asset)		
1% Decrease	Trend Rate	1% Increase
\$ (918,382)	\$ (617,239)	\$ (219,818)

OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized an OPEB expense of \$74,023. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 297,003	\$ -
Differences between expected and actual experience	-	290,690
Net difference between projected and actual earnings on investments	-	34,274
Contributions made subsequent to the measurement date	293,610	-
Total	\$ 590,613	\$ 324,964

Napa County Mosquito Abatement District  
NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 10 - POST-EMPLOYMENT BENEFITS OTHER THAN RETIREMENT (concluded)

The District will recognize the Contributions Made Subsequent to the Measurement Date in the next fiscal year. In addition, future recognition of these deferred resources is shown below.

<u>Fiscal Year Ending June 30</u>	
2019	\$ (7,199)
2020	(7,199)
2021	(7,199)
2022	(7,197)
2023	833
Thereafter	-

NOTE 11 - PRIOR PERIOD ADJUSTMENT & NEW ACCOUNTING PRONOUNCEMENT

For the year ended June 30, 2018, the beginning net position has been adjusted by \$663,301 to increase the net position balance as of the beginning of the period. The net OPEB liability was adjusted in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

NOTE 12 - RESTATEMENT

The restatement was to correct the under accrual of tax revenues, over accrual of payroll and benefit expenditures and the reclassification of Napa County property tax administrative charges. The changes to the impacted revenue and expenditure accounts are as follows:

	<u>Originally Reported</u>	<u>As Restated</u>	<u>Effect of Change</u>
Charges for services - program revenues	\$ 15,907	\$ 17,326	\$ 1,419
General revenues:			
Property taxes	1,322,278	1,474,138	151,860
Benefit assessments	<u>1,002,355</u>	<u>1,019,286</u>	<u>16,931</u>
Subtotal	<u>2,340,540</u>	<u>2,510,750</u>	<u>170,210</u>
Public Health expenditures	<u>2,066,895</u>	<u>2,090,138</u>	<u>23,243</u>
Total restatement	<u>\$ 273,645</u>	<u>\$ 420,612</u>	<u>\$ 146,967</u>
Cash and investments	\$ 3,582,853	\$ 3,692,242	\$ 109,389
Accounts receivable	33,219	107,495	74,276
Accrued expenses	112,267	32,206	(80,061)
Accounts payable	-	116,759	116,759
Compensated absences	28,644	32,035	3,391
Net position	6,871,634	7,015,210	143,576

REQUIRED SUPPLEMENTARY INFORMATION

Napa County Mosquito Abatement District  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Budget and Actual  
For the Year Ended June 30, 2018  
(Unaudited)

	<u>Budgeted Amounts</u>		<u>Restated Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues:				
Property taxes	\$ 1,177,500	\$ 1,177,500	\$ 1,474,138	\$ 296,638
Benefit assessments	1,015,453	1,015,453	1,019,286	3,833
Interest (VCJPA & County)	8,400	8,400	28,245	19,845
Charges for services	42,000	42,000	17,326	(24,674)
Other revenues	7,200	7,200	114,442	107,242
Total revenues	<u>2,250,553</u>	<u>2,250,553</u>	<u>2,653,437</u>	<u>402,884</u>
Expenditures:				
Public health	<u>2,073,975</u>	<u>2,073,975</u>	<u>2,690,531</u>	<u>(616,556)</u>
Total expenditures	<u>2,073,975</u>	<u>2,073,975</u>	<u>2,690,531</u>	<u>(616,556)</u>
Excess of revenues over (under) expenditures	<u>\$ 176,578</u>	<u>\$ 176,578</u>	(37,094)	<u>\$ (213,672)</u>
Fund balance, beginning of period			<u>3,875,445</u>	
Fund balance, end of period			<u>\$ 3,838,351</u>	

Napa County Mosquito Abatement District  
PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)

Required Supplementary Information

Last 4 Years\*

	<u>6/30/15</u>	<u>6/30/16</u>	<u>6/30/17</u>	<u>6/30/18</u>
Proportion of the net pension liability	0.015430%	0.021556%	0.003223%	0.003996%
Proportionate share of the net pension liability	\$ 960,167	\$ 591,380	\$ 278,890	\$ 396,246
Covered - employee payroll	\$ 666,886	\$ 549,002	\$ 682,007	\$ 750,915
Proportionate Share of the net pension liability as percentage of covered-employee payroll	143.98%	107.72%	40.89%	52.77%
Plan fiduciary net position as a percentage of the total pension liability	84.18%	90.61%	95.70%	94.50%

NOTES TO SCHEDULE:

Changes in Benefit Terms

None

Changes in Assumptions

The discount rate was changed from 7.65 percent (net of administrative expense) to 7.15 percent to correct for an adjustment to exclude administrative expense.

\* Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

Napa County Mosquito Abatement District  
SCHEDULE OF CONTRIBUTIONS  
 Required Supplementary Information  
 Last 4 Years\*

	<u>6/30/15</u>	<u>6/30/16</u>	<u>6/30/17</u>	<u>6/30/18</u>
Contractually required contribution (actuarially determined)	\$ 130,214	\$ 104,030	\$ 819,061	\$ 614,185
Contributions in relation to the actuarially determined contributions	<u>(775,843)</u>	<u>(674,030)</u>	<u>(819,061)</u>	<u>(614,185)</u>
	<u>\$ (645,629)</u>	<u>\$ (570,000)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 666,886	\$ 549,002	\$ 682,007	\$ 771,496
Contributions as a percentage of covered-employee payrolls	116.34%	122.77%	120.10%	79.61%

\*Schedule is intended to show information for ten years.  
 Additional years will be displayed as they become available.

Napa County Mosquito Abatement District  
SCHEDULE OF CHANGE IN THE NET OPEB LIABILITY  
AND RELATED RATIOS  
For the Year Ended June 30, 2018

	2018
Total OPEB Liability	
Service cost	\$ 106,280
Interest	123,751
Benefit payments, included refunds of employee contributions	(67,844)
Difference between actual and expected experience	(353,746)
Change in assumptions	361,429
Net change in total OPEB liability	169,870
Total OPEB liability - beginning of year	2,177,653
Total OPEB liability - end of year	\$ 2,347,523
 Plan Fiduciary Net Position	
Net investment income	\$ 191,652
Contributions	
Employer - explicit subsidy	202,844
Benefit payments, included refunds of employee contributions	(67,844)
Net change in plan fiduciary net position	326,652
Plan fiduciary net position - beginning of year	2,638,110
Plan fiduciary net position - end of year	2,964,762
 District's net OPEB liability - end of year	\$ (617,239)
 Plan fiduciary net position as a percentage of the total OPEB liability	-84.58%
 Covered-employee payroll	\$ 729,741
 Net OPEB liability as a percentage of covered-employee payroll	341.47%

The schedules present information to illustrate changes in the District's changes in the net OPEB liability over a ten year period when the information is available.



Napa County Mosquito Abatement District  
SCHEDULE OF CONTRIBUTIONS - OPEB  
 For the Year Ended June 30, 2018

	2018
Actuarially determined contribution	\$ 227,933
Contributions in relation to the actuarially determined contribution	(293,677)
Contribution deficiency (excess)	\$ (65,744)
Covered payroll	\$ 786,993
Contributions as a percentage of covered payroll	37.31%

The schedules present information to illustrate changes in the District's contributions over a ten year period when the information is available.

**Notes to Schedule:**

Assumptions and Methods

Actuarial cost method	Entry age normal, level percent of pay
Amortization method	Closed period, level percent of pay
Amortization period	20 years
Asset valuation method	Market value projected to fiscal year-end 2017 by the District
Inflation	2.75%
Assumed Rate of Payroll Growth	3.25%
Healthcare trend rates	6.00%, trending down to 5%
Rate of return on assets	5.00%
Mortality rate	MacLeod Watts Scale 2017 applied generationally