

**SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT
MANAGEMENT REPORT**

**For The Year Ended
JUNE 30, 2012**

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R. J. RICCIARDI, INC.
CERTIFIED PUBLIC ACCOUNTANTS

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

In planning and performing our audit of the basic financial statements of San Mateo County Mosquito and Vector Control District for the fiscal year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of its internal control. Accordingly, we do not express an opinion on the effectiveness of San Mateo County Mosquito and Vector Control District's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

During our audit, we noted certain matters involving internal controls and other operational matters that are presented for your consideration in this report. We will review the status of these comments during our next engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are not intended to be all-inclusive, but rather represent those matters that we considered worthy of your consideration. Our comments and recommendations are submitted as constructive suggestions to assist you in strengthening controls and procedures; they are not intended to reflect on the honesty or integrity of any employee. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist San Mateo County Mosquito and Vector Control District in implementing the recommendations.

This report is intended solely for the information and use of management of San Mateo County Mosquito and Vector Control District and others within the organization, and is not to be and should not be used by anyone other than these specified parties.

We thank San Mateo County Mosquito and Vector Control District's staff for its cooperation during our audit.

R. J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
July 31, 2013

San Mateo County Mosquito and Vector Control District
MANAGEMENT REPORT
For the Year Ended June 30, 2012

We have audited the basic financial statements of San Mateo County Mosquito and Vector Control District for the year ended June 30, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 1, 2013, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the basic financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of San Mateo County Mosquito and Vector Control District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by San Mateo County Mosquito and Vector Control District are described in Note 1 to the basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by San Mateo County Mosquito and Vector Control District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the basic financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the basic financial statements taken as a whole. The most sensitive estimates affecting the basic financial statements were:

- Accrual and disclosure of compensated absences
- Capital asset lives and depreciation expense
- Actuarial assumptions for pension and other post-employment benefit plans.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The misstatement detected as a result of audit procedures and corrected by management, was material, either individually or in the aggregate, to the financial statements taken as a whole.

San Mateo County Mosquito and Vector Control District
MANAGEMENT REPORT
For the Year Ended June 30, 2012

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 7, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to San Mateo County Mosquito and Vector Control District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. The District consulted with C.G. Uhlenberg and Dr. Peter Hughes, CPA during the fiscal year ending June 30, 2012

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as San Mateo County Mosquito and Vector Control District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

San Mateo County Mosquito and Vector Control District
MANAGEMENT REPORT
For the Year Ended June 30, 2012

Current Year Observations

There were no current year observations.

Prior Year Observations

1) Written Accounting, Internal Control and Fraud Prevention Policies and Procedures

Observation:

During our audit we noted the District has written ethics policies but does not have a specific formal policy for deterring, preventing and detecting fraud.

Recommendation:

We recommended the District develop and approve a specific formal policy for deterring, preventing and detecting fraud.

Status:

The District has formalized its procedures noted above and has presented to the Governing Board for approval.

2) Capital Asset and Long-Term Compensated Absences Accounts

Observation:

During our audit we noted the District has not recorded capital assets and compensated absences account balances on their general ledger. The current threshold for capitalizing and depreciating certain capital costs is \$600.

Recommendation:

We recommended the District record the account balances noted above on their general ledger and reconcile the balances to the supporting records periodically. We also recommend the District consider raising their capitalization threshold to \$5,000.

Status:

This recommendation is in the process of being implemented.

3) Electronic Payments

Observation:

During our audit we noted the District does not have written policy for the approval of Electronic payments prior to initiating the payment by two check signers.

Recommendation:

San Mateo County Mosquito and Vector Control District
MANAGEMENT REPORT
For the Year Ended June 30, 2012

We recommended the District develop and approve a formal policy for approving all electronic payments prior to initiating the payment by two check signers.

Status:

This recommendation is in the process of being implemented.

4) Non-recurring Journal Entries

Observation:

During our audit we noted the District does not have written policies for the approval of all non-recurring general journal entries.

Recommendation:

We recommended the District develop a specific formal policy for having all non-recurring journal entries approved by a responsible official outside of the accounting department. The approval should be documented by initialing the journal entry.

Status:

The District has formalized its procedures noted above and has presented to the Governing Board for approval.

**SAN MATEO COUNTY MOSQUITO AND VECTOR
CONTROL DISTRICT**

BURLINGAME, CALIFORNIA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

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INDEPENDENT AUDITORS' REPORT

Board of Directors
San Mateo County Mosquito and Vector Control District
Burlingame, California

We have audited the accompanying basic financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of San Mateo County Mosquito and Vector Control District as of June 30, 2012, and for the fiscal year then ended, as listed in the table of contents. These basic financial statements are the responsibility of San Mateo County Mosquito and Vector Control District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of San Mateo County Mosquito and Vector Control District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund, and the aggregate remaining fund information of San Mateo County Mosquito and Vector Control District as of June 30, 2012, and the respective changes in financial position for the fiscal year then ended in conformity with U.S. generally accepted accounting principles, as well as accounting systems prescribed by the State Controller's office and state regulations governing special districts.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 2-6) and the Required Supplementary Information (page 26), as listed in 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
July 31, 2013

San Mateo County Mosquito and Vector Control District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012

This section of San Mateo County Mosquito and Vector Control District's (the District's) basic financial statements presents management's overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2012. We encourage the reader to consider the information presented here in conjunction with the District's basic financial statements, including notes and supplementary information that immediately follow this section, 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 Assets and Governmental Fund 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 Balances—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 Assets and the Statement of Activities. The Statement of Net Assets 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 Assets 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 Capital Project Fund. 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.

San Mateo County Mosquito and Vector Control District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012

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

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

Fund Financial Statements

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 were \$4,179,650, an increase of \$51,031 this fiscal year due primarily to the decrease in property taxes.

General Fund expenditures were \$3,475,839, a decrease of \$159,839 from the prior year mainly due to the absence of the prior year employee theft costs.

San Mateo County Mosquito and Vector Control District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended June 30, 2012

Governmental Activities

Table 1
Governmental Net Assets

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current assets	\$ 5,382,228	\$ 4,936,207
Capital assets, net of accumulated depreciation	<u>4,437,868</u>	<u>4,592,483</u>
Total assets	<u>9,820,096</u>	<u>9,528,690</u>
<u>Liabilities</u>		
Current liabilities	155,912	130,187
Long-term liabilities	<u>528,182</u>	<u>222,551</u>
Total liabilities	<u>684,094</u>	<u>352,738</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	4,437,868	4,592,483
Restricted	<u>4,698,134</u>	<u>4,583,469</u>
Total net assets	<u>\$ 9,136,002</u>	<u>\$ 9,175,952</u>

The District's governmental net assets amounted to \$9,136,002 as of June 30, 2012, a decrease of \$39,950 from 2011. The decrease is the Change in Net Assets reflected in the Governmental Activities column of the Statement of Activities shown in Table 2. The District's net assets as of June 30, 2012 comprised the following:

- Cash and investments of \$5,382,228.
- Accounts receivable of \$14,844.
- Depreciable assets of \$4,437,868 net of depreciation charges, which includes all the District's capital assets used in governmental activities.
- Liabilities, including accounts payable and compensated absences, totaling \$684,094.

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 Assets summarized in the following table.

San Mateo County Mosquito and Vector Control District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012

Table 2
Changes in Governmental Net Assets

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
<u>Expenses</u>		
Mosquito Abatement, net of charges for service	\$ 4,229,037	\$ 3,729,198
Interest on long-term debt	-	12,864
Total expenses	<u>4,229,037</u>	<u>3,742,062</u>
<u>Program revenues:</u>		
Charges for services	<u>242,246</u>	<u>284,448</u>
<u>General revenues</u>		
Property taxes	1,588,820	1,581,340
Special mosquito control tax	458,855	458,635
Other taxes	205,080	200,237
Special benefit assessment	1,417,326	1,396,134
Miscellaneous	225,916	161,334
Interest and investment earnings	<u>50,844</u>	<u>50,750</u>
Subtotal general revenues	<u>3,946,841</u>	<u>3,848,430</u>
<u>Special items</u>	-	(320,719)
Total revenues and special items	<u>4,189,087</u>	<u>3,812,159</u>
Change in net assets	<u>\$ (39,950)</u>	<u>\$ 70,097</u>

As Table 2 above shows, 94% of the District's fiscal year 2012 governmental revenue of \$4,189,087 came from general revenues such as taxes and interest.

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 4.

Debt Administration

The balance of the District's long-term debt as of June 30, 2012 was \$0. Additionally, the District carries a defined benefit post-employment healthcare plan.

San Mateo County Mosquito and Vector Control District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2012

Economic Outlook and Major Initiatives

The District's financial position continues to be more than adequate. Financial planning is based on specific assumptions from recent trends in property values, State of California economic forecasts and historical growth patterns in the various communities served by the District.

The District continues to face increases in salaries, benefits, fuel, pesticides and insurance. There are also calls for changes in property tax allocation from State control to more local control and talk of initiatives to eliminate *ad valorem* property tax funds from special district revenues.

Contacting the District 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 regarding this report should be directed to: General Manager of San Mateo County Mosquito and Vector Control District, 1351 Rollins Road, Burlingame, CA, 94010.

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT
STATEMENT OF NET ASSETS
 June 30, 2012

ASSETS

Cash and investments	\$	5,025,805
Accounts receivable		14,844
Total current assets		5,040,649
 Deposits in Vector Control Joint Powers Agency (VCJPA)		 341,579
Capital assets:		
Non-depreciable assets		710,889
Depreciable capital assets, net		3,726,979
 Total assets		 9,820,096

LIABILITIES

Due within one year:		
Accounts payable		155,912
Total current liabilities		155,912
Due after one year:		
Compensated absences		178,667
Other post employment benefits		349,515
Total liabilities		684,094

NET ASSETS

Invested in capital assets, net of related debt		4,437,868
Unrestricted		4,698,134
Total net assets	\$	9,136,002

The accompanying notes are an integral part of these financial statements

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenditures</u>	<u>Program Revenues</u> Charges for Services	<u>Net (Expense) Revenue and Changes in Net Assets</u> Total Governmental Activities
Governmental Activities:			
Mosquito Abatement	\$ 4,229,037	\$ 242,246	\$ (3,986,791)
Total governmental activities	<u>\$ 4,229,037</u>	<u>\$ 242,246</u>	<u>(3,986,791)</u>
General revenues:			
Property Taxes			1,588,820
Special mosquito control tax			458,855
Other taxes			205,080
Special taxes and benefit assessment			1,417,326
Interest and investment earnings			50,844
Miscellaneous revenue			<u>225,916</u>
Total general revenues			<u>3,946,841</u>
Change in net assets			(39,950)
Net assets, beginning of period			<u>9,175,952</u>
Net assets, end of period			<u>\$ 9,136,002</u>

The accompanying notes are an integral part of these financial statements

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT
 GOVERNMENTAL FUND
BALANCE SHEET
 JUNE 30, 2012

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and investments available for operation	\$ 4,670,455	\$ 355,350	\$ 5,025,805
Accounts receivable	14,844	-	14,844
Deposits in VCJPA	341,579	-	341,579
Total assets	<u>\$ 5,026,878</u>	<u>\$ 355,350</u>	<u>\$ 5,382,228</u>
 <u>LIABILITIES</u>			
Accounts payable	\$ 154,268	1,644	\$ 155,912
Total liabilities	<u>154,268</u>	<u>1,644</u>	<u>155,912</u>
 <u>FUND BALANCES</u>			
Assigned - VCJPA	341,579	-	341,579
Assigned - Capital outlay	-	353,706	353,706
Unassigned	4,531,031	-	4,531,031
Total fund balances	<u>4,872,610</u>	<u>353,706</u>	<u>5,226,316</u>
Total liabilities and fund balances	<u>\$ 5,026,878</u>	<u>\$ 355,350</u>	<u>\$ 5,382,228</u>

The accompanying notes are an integral part of these financial statements

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT
 Reconciliation of the
GOVERNMENTAL FUND - BALANCE SHEET
 with the Governmental Activities
STATEMENT OF NET ASSETS
 For the Year Ended June 30, 2012

TOTAL FUND BALANCES - GOVERNMENTAL FUND	\$	5,226,316
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Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Fund above because of the following:

LONG-TERM LIABILITY

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Compensated absences		(178,667)
Other post employment benefits		(349,515)

CAPITAL ASSETS

Capital Assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Fund. The actual or estimated historical acquisition cost of the assets is \$6,510,730 and the accumulated depreciation is \$2,072,862:

		4,437,868
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	9,136,002

The accompanying notes are an integral part of these financial statements

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT
GOVERNMENTAL FUND
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2012

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues:			
Property taxes	\$ 1,588,820	\$ -	\$ 1,588,820
Special mosquito control tax	458,855	-	458,855
Other taxes	205,080	-	205,080
Inspection services	242,246	-	242,246
Special benefit assessment	1,417,326	-	1,417,326
Investment earnings	48,700	2,144	50,844
Miscellaneous revenue	218,624	7,292	225,916
Total revenues	<u>4,179,651</u>	<u>9,436</u>	<u>4,189,087</u>
Expenditures:			
Personal services	2,294,641	-	2,294,641
Service and supplies	1,096,990	73,536	1,170,526
Capital outlay	84,209	219,413	303,622
Total expenditures	<u>3,475,840</u>	<u>292,949</u>	<u>3,768,789</u>
Excess (deficiency) of revenues over expenditures	<u>703,811</u>	<u>(283,513)</u>	<u>420,298</u>
Other financing Sources (uses):			
Transfers in	-	471,508	471,508
Transfers out	<u>(471,508)</u>	<u>-</u>	<u>(471,508)</u>
Net change in fund balance	<u>232,303</u>	<u>187,995</u>	<u>420,298</u>
Fund balance - beginning	<u>4,640,307</u>	<u>165,711</u>	<u>4,806,018</u>
Fund balance - ending	<u>\$ 4,872,610</u>	<u>\$ 353,706</u>	<u>\$ 5,226,316</u>

The accompanying notes are an integral part of these financial statements

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

Reconciliation of the

GOVERNMENTAL FUND - STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES

with the Governmental Activities

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2012

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND	\$	420,298
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		183,875
Depreciation expense		(338,490)

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Other post employment benefits		(349,515)
Compensated absences		43,882

Changes in net assets of governmental activities	\$	<u>(39,950)</u>
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The accompanying notes are an integral part of these financial statements

San Mateo County Mosquito and Vector Control District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. The District

The San Mateo County Mosquito and Vector Control District (the "District") is a special district established in 1916 empowered to take all necessary and proper steps for the extermination of mosquitoes, flies or other insects within the District. An operating budget is adopted annually.

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 activity related to the NWCD is accounted for in a special benefit assessment revenue line item and included in the District's operating budget.

In the fiscal year ended June 30, 2008, San Mateo County Board of Supervisors passed a resolution to transfer specific vector control operations and responsibilities to San Mateo County Mosquito Abatement. As a result, the District changed its name to the San Mateo County Mosquito and Vector Control.

The District is an integral part of the County of San Mateo (the "County") and the accompanying financial statements are included as a component unit of the financial statements prepared by the County. The County performs certain administrative services such as collection of the tax dollars and maintenance of the bank reconciliation at a set fee.

The District evaluated whether any other entity should be included in these financial statements. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the ability of the governmental unit's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

Based on the above criteria, the District determined that there were not any component units as of June 30, 2012.

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the District.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government wide statements and the statements for the governmental funds.

San Mateo County Mosquito and Vector Control District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (Concluded)

The government-wide statement of activities presents direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. All of the District's funds were considered major.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues, Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

San Mateo County Mosquito and Vector Control District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (concluded)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, than unrestricted resources as they are needed.

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major funds as follows:

- The general fund is used to account for all financial resources except those to be accounted for in another fund or account group.

- The capital projects fund is used to account for financial resources to be used for the acquisition or construction of capital assets. It is also used to pay debt service requirements on the District's certificates of participation.

E. Budget

The District annually adopts a budget for its general fund to be effective July 1 for the ensuing fiscal year. The District's Board may amend the budget by resolution during the fiscal year and approves all budgetary transfers.

San Mateo County Mosquito and Vector Control District
NOTES TO BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Use of Estimates

The District's management has made certain estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

G. Cash and Investments

The District maintains substantially all its cash in the San Mateo County Treasury. The county pools these funds with those of other Districts in the county and invests the cash. These pooled funds are carried at cost, which approximates fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

H. Capital Assets

Capital assets are those purchased or acquired with an original cost of \$600 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date receive. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

Asset Class	Examples	Estimated Useful Life in Years
Building & Improvements	Paving, retaining walls, sidewalks, fencing, and outdoor lighting	7-50
Furniture & Equipment	Furniture, computers, and other equipment	5-20
Vehicles	Service trucks & other vehicles	5-15

I. Compensated Absences

All vacation and sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The District's accrued compensated absences were \$178,667 at June 30, 2012.

If sick leave and vacation is not used by the employee during the term of employment, compensation is payable to the employee at the time of retirement calculated in accordance with District policy. Such compensation is calculated at employees' then prevalent hourly rate at the time of retirement or termination. Whereas vacation is compensated at 100% of accumulated hours, sick leave is accrued and compensated only at retirement or termination based on the years of employment with a maximum limitation of \$7,500.

San Mateo County Mosquito and Vector Control District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Long-Term Obligation

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

In the fund financial statements, the face amount of the debt issued, premiums, or discounts are reported as other financing sources/uses.

K. Fund Equity

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

- Nonspendable fund balance - amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. Board of trustees). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove the constraint.
- Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. In the general fund, the amount provided to the VCJPA as a deposit is assigned. In the capital project fund, the amount to be used in capital outlay is assigned.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund

The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Trustees through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

San Mateo County Mosquito and Vector Control District
NOTES TO BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2012

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (concluded)

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 2 - PROPERTY TAX LEVY, COLLECTION, AND MAXIMUM RATES

The State of California Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1 % of its assessed value unless voters have approved an additional amount. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be increased by no more than 2% per year unless the property is sold or transferred. State Legislature has determined the method of distribution of receipts from a 1% tax levy among counties, cities, school districts and other special districts. Counties, cities and school districts may levy such additional tax as is necessary to provide for voter approved debt service.

The County of San Mateo assesses properties, bills, and collects property taxes as follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation dates	March 1	March 1
Lien/levy dates	July 1	July 1
Due dates	50% on November 1 50% on February 1	Upon receipt of billing
Delinquent as of	December 10 (for November) April 10 (for February)	August 31

The term "unsecured" refers to taxes on property not secured by liens on real property.

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 San Mateo County Mosquito Abatement District and the County of San Mateo. The Teeter Plan authorizes the auditor-controller of the County of San Mateo to allocate 100% of the secured property tax billed but not yet paid. The County of San Mateo remits tax monies to the District in three installments, as follows: 50% remitted on December 15; 40% remitted on April 15; 10% remitted on June 30.

San Mateo County Mosquito and Vector Control District
NOTES TO BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2012

NOTE 3 - CASH AND INVESTMENTS

Cash and investments consisted of the following at June 30, 2012:

	<u>Carrying Amount</u>
Petty Cash	\$ 200
Deposits in VCJPA	341,579
Cash in County treasury	5,025,605
 Total Cash and Investments	 \$ 5,367,384

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer. The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains a deposit with the Vector Control Joint Powers Authority.

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.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, 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 percent of the total amount deposited by the public agencies.

California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

San Mateo County Mosquito and Vector Control District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 3 - CASH AND INVESTMENTS (concluded)

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

NOTE 4 - CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2012:

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012
Land	\$ 710,889	\$ -	\$ -	\$ 710,889
Subtotal	710,889	-	-	710,889
Structures	4,366,538	-	-	4,366,538
Equipment	1,403,622	183,875	154,194	1,433,303
Subtotal	5,770,160	183,875	154,194	5,799,841
Less accumulated depreciation	1,888,566	338,490	154,194	2,072,862
Total capital assets being depreciated net	3,881,594	(154,615)	-	3,726,979
Capital assets - net depreciation	\$ 4,592,483	\$ (154,615)	\$ -	\$ 4,437,868

Depreciation expense of \$338,490 was charged to governmental activities.

NOTE 5 - LONG TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2012 is as follows:

Long-term Debt

	Balance June 30, 2011	Additions	Payments	Balance June 30, 2012	Current Portion
Other post employment benefits	\$ 226,441	\$ 123,074	\$ -	\$ 349,515	\$ -
Compensated absences	222,551	-	43,882	178,669	-
Total long term debt	\$ 448,992	\$ 123,074	\$ 43,882	\$ 528,184	\$ -

NOTE 6 - SELF-INSURANCE AND JOINT POWERS AGENCY

The District participates with other districts in a joint venture under a joint powers agreement, which establishes 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.

San Mateo County Mosquito and Vector Control District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 6 - SELF-INSURANCE AND JOINT POWERS AGENCY (Concluded)

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 worker's 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, 2012, was \$37,626 and \$303,953, respectively. The balance includes interest earning 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 7 - DEFERRED COMPENSATION

The District offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all District regular full time employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, resignation, retirement, death or an unforeseeable emergency.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributed to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the District (without being restricted to the provisions of the benefits under the plans), subject only to the claims of the District's general creditors. Participants' rights under the plans are equal to those of general creditors of the District in an amount equal to the fair market value of the deferred account for each participant.

In accordance with the Small Business Job Protection Act of 1996, all deferred compensation plan assets are held in trust for the exclusive benefit of participating employees and are not accessible by the District or its creditors. Accordingly, these assets have been removed from the District's financial statements.

San Mateo County Mosquito and Vector Control District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 8 - DEFINED RETIREMENT PLAN

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 San Mateo County Mosquito and Vector Control 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. As of June 30, 2011, the total number of plan participants was 10,582, of which 10,553 were County employees and 29 were Mosquito and Vector Control District employees. 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.

Benefit Provisions

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.

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.

Funding Policy

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 actuarial accrued liability (UAAL).

San Mateo County Mosquito and Vector Control District
NOTES TO BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2012

NOTE 8 - DEFINED RETIREMENT PLAN (concluded)

Annual Pension Cost

For the fiscal year ended June 30, 2012, 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, 2012, using the entry age normal actuarial cost method. The actuarial assumptions included 3.5% annual inflation rate, 7.5% annual investment rate of return, and 3.75% average annual projected salary increase attributed to inflation of 3.75% and adjustment for merit and longevity of 1.2%. Beginning with the June 30, 2008 actuarial valuation, SamCERA converted to the 15-year layered amortization methodology. Under this method, the original UAAL is amortized over 15 years as of the valuation date. Future actuarial gains and losses are amortized over the new 15-year periods. The District contributes a lower percentage of covered payroll than the County does, due to lower benefits provided to the District employees. The average employer contribution rate was 35% of the covered payroll, and the average member contribution rate was 9.98%. The UAAL is being amortized as a level percentage of projected payroll over the new 15-year periods.

The District's total payroll for the fiscal year ended June 30, 2012, was \$1,509,336. The District's contributions were calculated using the base salary amount of \$1,509,336. Both the District and the covered employees made the required contributions totaling \$403,378 and \$88,784, respectively.

The table below presents three-year trend information:

Fiscal Year <u>Ended</u>	Annual Pension Cost <u>(APC)</u>	Percentage of APC <u>Contributed</u>
6/30/2010	\$ 229,678	100%
6/30/2011	\$ 482,440	100%
6/30/2012	\$ 403,378	100%

NOTE 9 - POST-EMPLOYMENT BENEFITS OTHER THAN RETIREMENT

The District has not calculated their Net OPEB obligation for the year ended June 30, 2012, and is in the process of hiring an actuarial consulting firm to update this actuarial calculation.

Plan Description. The District's defined benefit post-employment healthcare plan, San Mateo County Mosquito and Vector Control District Other Post-Employment Benefit Program, provides medical benefits to eligible retired District employees and their beneficiaries.

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 of between 25%-100% and prescription drug coverage reimbursement of \$500-\$1,000 per year.

The District is required to contribute the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years. The current ARC rate is 10% percent of annual covered payroll.

San Mateo County Mosquito and Vector Control District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2012

NOTE 9 - POST-EMPLOYMENT BENEFITS OTHER THAN RETIREMENT (continued)

Annual OPEB Cost and Net OPEB Obligation/(Asset)

The following table shows the components of the District's Annual OPEB Cost for the fiscal years ended June 30, 2011 and June 30, 2012, the amounts actually contributed to the plan (including administrative costs), and changes in the District's Net OPEB Obligation/(Asset):

	June 30, 2012	June 30, 2011
Annual Required Contributions	\$ 160,544	\$ 150,575
Interest on Net OPEB Obligation/(Asset)	10,190	5,020
Adjustment to Annual Required Contributions	<u>(9,895)</u>	<u>(4,733)</u>
Annual OPEB cost (expense)	160,839	150,862
Contributions made	<u>(37,765)</u>	<u>(35,974)</u>
Increase in Net OPEB Obligation/(Asset)	123,074	114,888
Net OPEB Obligation/(Asset) – beginning of year	<u>226,41</u>	<u>111,553</u>
Net OPEB Obligation/(Asset) – end of year	<u>\$ 349,515</u>	<u>\$ 226,441</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation was as follows, based on the District's actuarial valuation as of June 30, 2010:

Fiscal Year Ended	Annual OPEB Cost	Employer OPEB Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/10	\$ 141,198	\$ 29,645	21%	\$ 111,553
6/30/11	\$ 150,862	\$ 31,130	21%	\$ 226,441
6/30/12	\$ 160,839	\$ 37,765	23%	\$ 349,515

Funded Status and Funding Progress. The funded status of the plan as of June 30, 2010, was as follows:

Valuation Date	(A) Actuarial Value of Assets	(B) Actuarial Accrued Liability	(C) Unfunded Liability (Excess Assets) [(B)-(A)]	(D) Funded Ratio [(A)/(B)]	(E) Annual Covered Payroll	(F) UAAL as a % of Payroll {[(B)-(A)]/(E)}
6/30/10	\$ -	\$ 1,217,712	\$ 1,217,712	0%	\$ 1,578,491	77.14%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and the assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

San Mateo County Mosquito and Vector Control District
NOTES TO BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2012

NOTE 9 - POST-EMPLOYMENT BENEFITS OTHER THAN RETIREMENT (continued)

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

In the June 30, 2010, actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5% percent investment rate of return (net of administrative expenses), which is the expected long-term investment return on plan assets and an annual healthcare cost trend rate of 10% - initially 10% for fiscal year 2011, reduced by decrements to an ultimate rate of 5% after five years; and a 3.25% annual increase in projected payroll. The actuarial value of assets was determined based on the market value of investments. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The amortization period is thirty years with 28 years remaining as of June 30, 2012.

NOTE 10 - TRANSFERS

Transfers between funds during the fiscal year ended June 30, 2012 were as follows:

	Transfer In	Transfer Out
General Fund	\$ -	\$ 471,508
Capital Projects Fund	471,508	-
Total	\$ 471,508	\$ 471,508

The transfer from the general fund was to reimburse the capital projects fund for equipment purchases.

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT Schedule 1
SCHEDULE OF GENERAL FUND EXPENDITURES

Budget and Actual
For the Year Ended June 30, 2012
(Unaudited)

	General Fund			
	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 1,601,879	\$ 1,601,879	\$ 1,588,820	\$ (13,059)
Special mosquito control tax	459,110	459,110	458,855	(255)
Other taxes	243,712	243,712	205,080	(38,632)
Inspection services	284,600	284,600	242,246	(42,354)
Special benefit assessment	1,491,523	1,491,523	1,417,326	(74,197)
Investment earnings	52,272	52,272	48,700	(3,572)
Miscellaneous	35,250	35,250	218,624	183,374
Total revenues	<u>4,168,346</u>	<u>4,168,346</u>	<u>4,179,651</u>	<u>11,305</u>
Expenditures:				
Salaries and employee benefits	2,366,000	2,366,000	2,294,641	71,359
Services and supplies	3,473,505	3,473,505	1,181,199	2,292,306
Total expenditures	<u>5,839,505</u>	<u>5,839,505</u>	<u>3,475,840</u>	<u>2,363,665</u>
Excess (deficit) of revenues over (under) expenditures	<u>\$ (1,671,159)</u>	<u>\$ (1,671,159)</u>	<u>703,811</u>	<u>\$ 2,374,970</u>
Other financing Sources (uses):				
Transfers out			(471,508)	
Net change in fund balance			<u>232,303</u>	
Fund balances, beginning of period			<u>4,640,307</u>	
Fund balances, end of period			<u>\$ 4,872,610</u>	