

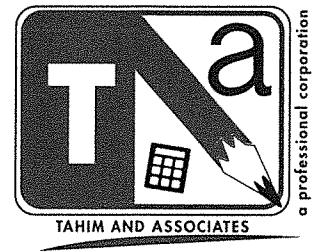
COMPTON CREEK MOSQUITO
ABATEMENT DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2016

COMPTON CREEK MOSQUITO ABATEMENT DISTRICT

JUNE 30, 2016

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Compton Creek Mosquito Abatement District
Compton, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities of the General Fund of the Compton Creek Mosquito Abatement District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

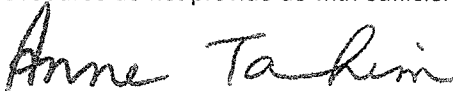
Opinions

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 General Fund of the Compton Creek Mosquito Abatement District as of June 30, 2016, and the respective changes in financial position thereof and the respective budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 consists of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 of the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Tahim & Associates,
A Professional Corporation
Anaheim, California

November 7, 2016

Compton Creek Mosquito Abatement District
Management's Discussion and Analysis
For the Year Ended June 30, 2016

As management of the Compton Creek Mosquito Abatement District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities and performance of the District for the fiscal year ended June 30, 2016. Please read it in conjunction with additional information that we have furnished in the accompanying basic financial statements, which follow this section.

Financial Highlights

- The District's net position increased 19.7% or \$193,294 to \$1,175,715 as a result of this year's operations and the increase in pension income from District adopting GASB 68.
- During the year, the District's property taxes and benefits assessment revenue decreased by 1.0% or \$3,603 to \$326,827.
- Total revenues from all sources increased 28.7% or \$95,884 to \$429,606, from the prior year, which is primarily the result of increased assessment and miscellaneous income.
- Total expenses increased 25.2% or \$47,532 to \$236,312, due to not purchasing any fixed assets during 2016.
- Total cost for the District's general fund programs was under the 2016 adopted final budget by 13.4% or \$40,008.

Using This Financial Report

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

District Activities

The District is an independent special district, organized since 1927 to specifically control mosquitoes. The District amplified its efforts to fight West Nile virus beginning in 2003 when the virus first appeared in California, and is now working to identify and control the invasive Asian tiger mosquito in the likely event it reaches the District boundaries. District personnel modified techniques and enhanced disease surveillance and increased source identification and treatment efforts and realigned areas to attain operational efficiencies. Fiscal year 2015-2016 was a period of increased efforts in the District's Public Education program and a continued emphasis on controlling vector-borne diseases such as West Nile virus, identifying new emerging threats such as the Asian tiger mosquito, and dealing with new potential sources resulting from the widespread implementation of municipal water recapture devices.

Compton Creek Mosquito Abatement District
Management's Discussion and Analysis
For the Year Ended June 30, 2016

District Activities, Continued

The District continues to provide services and manage its funds prudently and judiciously based on mosquito control needs and the ability of the District to collect revenues from two principal sources: 1) property (benefit) assessments, and 2) shared distribution of the county's 1% property tax levy. Property assessment and property tax revenues are collected by the County Treasurer and received by the District according to a "disbursement schedule" administered by the County. The authorized General Reserve is utilized to defray District expenses between the beginning of a fiscal year and the time of distribution of the tax receipts in a fiscal year.

The General Manager reported to the Board on the deteriorating condition of the District's current headquarters' building. Termites, lack of heating and air conditioning, the need for a temperature controlled pesticide building and the need to comply with current Americans with Disabilities Act building entry and usage requirements were some of the items named in the report. The Board elected to retain legal counsel to examine the feasibility of replacing the District's current structure and replacing it with a completely new structure

Government-wide Financial Statements

Statement of Net position and Statement of Activities

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

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

Governmental Funds Financial Statements

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

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

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

**Compton Creek Mosquito Abatement District
Management's Discussion and Analysis
For the Year Ended June 30, 2016**

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 11.

Other Information

The basic financial statements also present information concerning the District's budgetary information and compliance. The information can be found on page 10.

Government – Wide Financial Analysis

Condensed Statement of Net Position

| | <u>2016</u> | <u>2015</u> | <u>Changes</u> |
|-------------------------------|---------------------|---------------------|--------------------|
| Assets: | | | |
| Current Assets | \$ 687,042 | \$ 613,507 | \$ 73,535 |
| Capital Assets, net | 69,840 | 56,576 | 13,264 |
| Net Pension Asset | 439,860 | 369,678 | 70,182 |
| Deferred Outflow of Resources | <u>8,507</u> | <u>17,414</u> | <u>(8,907)</u> |
| Total Assets | <u>\$ 1,205,249</u> | <u>\$ 1,057,175</u> | <u>\$ 148,074</u> |
| Liabilities: | | | |
| Current liabilities | \$ 3,755 | \$ 594 | \$ 3,161 |
| Long Term Liabilities | 12,824 | 18,280 | (5,456) |
| Deferred Inflow of Resources | <u>12,955</u> | <u>55,880</u> | <u>(42,925)</u> |
| Total Liabilities | <u>\$ 29,534</u> | <u>\$ 74,754</u> | <u>\$ (45,220)</u> |
| Net position: | | | |
| Invested in Capital Assets | \$ 69,840 | \$ 56,576 | \$ 13,264 |
| Unrestricted | <u>1,105,875</u> | <u>925,845</u> | <u>180,030</u> |
| Total Net Position | <u>\$ 1,175,715</u> | <u>\$ 982,421</u> | <u>\$ 193,294</u> |

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$ 1,175,715. A portion of the District's net position, \$69,840 reflects its investment in capital assets. The District uses these capital assets for operations; consequently, these assets are *not* available for future spending. At the end of fiscal year 2016, the District reflected a positive balance in its unrestricted net position of \$1,105,875 that may be utilized in future years. The District receives a bulk of its funding from the Los Angeles Tax Collector at the end of December and April, which coincides with the property tax payment dates of December 10 and April 10.

Compton Creek Mosquito Abatement District
Management's Discussion and Analysis
For the Year Ended June 30, 2016

Condensed Statement of Activities

| | <u>2016</u> | <u>2015</u> | <u>Change</u> |
|---------------------------------------|-----------------------------|-------------------|-------------------|
| Total: Revenues: | \$ 429,606 | \$ 333,722 | \$ 95,884 |
| Total Expenditures: | <u>236,312</u> | <u>188,780</u> | <u>47,532</u> |
| Change in net position | 193,294 | 144,942 | 48,352 |
| Net position – beginning of period | 982,421 | 553,726 | 428,695 |
| Adjustment for GASB 68 | <u> </u> | <u>283,753</u> | <u>(283,753)</u> |
| Net position – end of period | <u>\$1,175,715</u> | <u>\$ 982,421</u> | <u>\$ 193,294</u> |

The statement of activities shows how the District's net position changed during the fiscal year. In the case of the District, net position increased by \$193,294 during the fiscal year ended June 30, 2016.

General Fund Budgetary Highlights

The final actual expenditures for the General Fund at year-end were \$40,008 less than budgeted. The variance is a result of the District's conservative and prudent budgeting policies. Actual revenues were greater than the anticipated budget by \$19,103. The General Fund budget to actual comparison schedule can be found on page 10.

Capital Asset Administration

Changes in capital assets for the year were as follows:

| | <u>Balance 2015</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 2016</u> |
|---------------------------|-------------------------|------------------|-----------------------------|-------------------------|
| Non-depreciable assets | \$ 13,014 | | | \$ 13,014 |
| Depreciable assets | 190,115 | \$ 32,841 | | 222,956 |
| Accumulated depreciation | (146,553) | <u>(19,577)</u> | <u> </u> | (166,130) |
| Total capital assets, net | <u>\$ 56,576</u> | <u>\$ 13,264</u> | <u> </u> | <u>\$ 69,840</u> |

At the end of fiscal year 2016, the District's invested in capital assets amounted to \$69,840 (net of accumulated depreciation). This investment in capital assets includes buildings and improvements, vehicles, equipment, machinery and furniture and fixtures

Compton Creek Mosquito Abatement District
Management's Discussion and Analysis
For the Year Ended June 30, 2016

Conditions Affecting Current Financial Position

The District has been able to create and project a substantial cash flow reserve to defray expenses between the beginning of a fiscal year and the time of distribution of the tax receipts in the fiscal year (dry period) to yield sufficient revenue. The District had a balance of \$634,846 in cash available to meet its financial obligations.

Conditions Affecting Current Financial Position, Continued

West Nile Virus is now endemic to Southern California and to date the District has been able to control the spread of this disease. However, in future years, this disease, as well as other vector-borne diseases being introduced into Southern California by newly introduced invasive mosquito species, may potentially require much greater expenditures to suppress spreading disease throughout the District, thus creating the need to increase property assessments to fund major disease outbreaks.

The District has only one full-time employee and he is subject to CalPERS employee benefits programs. When a new full-time employee is hired to assume the retiring General Manager's responsibilities, they will be subject to rules established by CalPERS relative to current benefit programs.

Requests for Information

The District's basic financial statements are designed to present users with a general overview of the District's finances and to demonstrate the District's accountability. If you have any questions about the report or need additional information, please contact the District's General Manager, Mitchel R. Weinbaum, at the Compton Creek Mosquito Abatement District, 1224 S. Santa Fe Avenue, Compton, CA 90221 or (310) 933-5321

COMPTON CREEK MOSQUITO ABATEMENT DISTRICT

Exhibit A

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2016

| | General Fund | Adjustments | Statement of Net Position |
|--|-------------------|---------------------|------------------------------|
| Assets: | | | |
| Cash on deposit with County Treasurer | \$ 619,316 | \$ - | \$ 619,316 |
| Cash in bank | 15,530 | - | 15,530 |
| Taxes receivable | 25,438 | - | 25,438 |
| Interest receivable | 1,809 | - | 1,809 |
| Prepaid OPEB costs | - | 24,949 | 24,949 |
| Capital assets, net of accumulated depreciation | - | 69,840 | 69,840 |
| Net Pension Asset | - | 439,860 | 439,860 |
| Deferred Outflows of Resources: | | | |
| Deferred Pension Outflows | - | 8,507 | 8,507 |
| Total Assets and Deferred Outflows | \$ 662,093 | \$ 543,156 | \$ 1,205,249 |
| Liabilities: | | | |
| Current Liabilities: | | | |
| Accounts payable | \$ 3,755 | \$ - | \$ 3,755 |
| Long Term Liabilities: | | | |
| Compensated absences | - | 12,824 | 12,824 |
| Total Liabilities | 3,755 | 12,824 | 16,579 |
| Deferred Inflows of Resources: | | | |
| Deferred tax revenue | 14,086 | (14,086) | - |
| Deferred Pension Inflows | - | 12,955 | 12,955 |
| Total Deferred Inflows of Resources | 14,086 | (1,131) | 12,955 |
| Total Liabilities and Deferred Inflows | 17,841 | 11,693 | 29,534 |
| Fund Balances/Net Assets: | | | |
| Fund Balances: | | | |
| Unassigned | 644,252 | (644,252) | - |
| Total Fund Balances | 644,252 | (644,252) | - |
| Total Liabilities and Fund Balances | \$ 662,093 | \$ (632,559) | \$ 29,534 |
| Net Assets: | | | |
| Invested in capital assets, net of related debt | | 69,840 | 69,840 |
| Unrestricted | | 1,105,875 | 1,105,875 |
| Total Net Assets | | \$ 1,175,715 | \$ 1,175,715 |

See Notes to Financial Statements

COMPTON CREEK MOSQUITO ABATEMENT DISTRICT

Exhibit B

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL
FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2016**

| | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of Activities</u> |
|--|-------------------------|--------------------|------------------------------------|
| Revenues: | | | |
| Property taxes | \$ 327,811 | \$ (984) | \$ 326,827 |
| Interest | 4,292 | - | 4,292 |
| Net pension income | - | 98,487 | 98,487 |
| | <u>332,103</u> | <u>97,503</u> | <u>429,606</u> |
| Total Revenues | | | |
| Expenditures: | | | |
| Salaries | 98,543 | (5,456) | 93,087 |
| Retirement | 5,713 | (5,713) | - |
| Postemployment benefits | - | 1,253 | 1,253 |
| Trustee fees | 4,831 | - | 4,831 |
| Payroll tax | 7,758 | - | 7,758 |
| State unemployment insurance | 1,140 | - | 1,140 |
| Insurance | 11,512 | - | 11,512 |
| Maintenance - building | 2,023 | - | 2,023 |
| Laundry | 2,891 | - | 2,891 |
| Memberships | 3,934 | - | 3,934 |
| Professional services | 31,391 | - | 31,391 |
| Office | 1,477 | - | 1,477 |
| Public education | 23,307 | - | 23,307 |
| Gas and oil | 5,769 | - | 5,769 |
| Travel and transportation | 11,027 | - | 11,027 |
| Utilities | 3,790 | - | 3,790 |
| Miscellaneous | 94 | - | 94 |
| Tax collection | 10,379 | - | 10,379 |
| Insecticides | 108 | - | 108 |
| West Nile Virus Program | 723 | - | 723 |
| NPDES | 241 | - | 241 |
| Fixed Assets | 32,841 | (32,841) | - |
| Depreciation | - | 19,577 | 19,577 |
| | <u>259,492</u> | <u>(23,180)</u> | <u>236,312</u> |
| Total Expenditures | | | |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 72,611 | 120,683 | 193,294 |
| Fund Balance/Net Assets: | | | |
| Beginning of year | <u>571,641</u> | <u>410,780</u> | <u>982,421</u> |
| End of year | <u>\$ 644,252</u> | <u>\$ 531,463</u> | <u>\$ 1,175,715</u> |

See Notes to Financial Statements

COMPTON CREEK MOSQUITO ABATEMENT DISTRICT

Exhibit C

BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2016

| | Budget Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Budgetary Fund Balance, July 1 | \$ 571,641 | \$ 571,641 | \$ 571,641 | \$ - |
| Resources (Inflows): | | | | |
| Property taxes | 313,000 | 313,000 | \$ 327,811 | 14,811 |
| Interest | - | - | 4,292 | 4,292 |
| Amounts Available for Appropriation | 884,641 | 884,641 | 903,744 | 19,103 |
| Charges to Appropriation (Outflow): | | | | |
| Salaries | 93,100 | 93,100 | 98,543 | (5,443) |
| Retirement | 5,800 | 5,800 | 5,713 | 87 |
| Trustee fees | 6,000 | 6,000 | 4,831 | 1,169 |
| Payroll tax | 7,700 | 7,700 | 7,758 | (58) |
| Employee group health insurance | 1,500 | 1,500 | - | 1,500 |
| State unemployment insurance | 1,000 | 1,000 | 1,140 | (140) |
| Insurance (General) | 11,500 | 11,500 | 11,512 | (12) |
| Maintenance - building | 2,450 | 2,450 | 2,023 | 427 |
| Maintenance - equipment | 1,200 | 1,200 | - | 1,200 |
| Laundry | 2,500 | 2,500 | 2,891 | (391) |
| Memberships | 3,900 | 3,900 | 3,934 | (34) |
| Professional services | 19,650 | 19,650 | 31,391 | (11,741) |
| Office | 7,100 | 7,100 | 1,477 | 5,623 |
| Insecticides | 600 | 600 | 108 | 492 |
| Public education | 57,000 | 57,000 | 23,307 | 33,693 |
| Gas and oil | 8,500 | 8,500 | 5,769 | 2,731 |
| Travel and transportation | 21,000 | 21,000 | 11,027 | 9,973 |
| Utilities | 3,500 | 3,500 | 3,790 | (290) |
| Miscellaneous | 400 | 400 | 94 | 306 |
| Tax collection | 11,000 | 11,000 | 10,379 | 621 |
| MVCAC research | 1,500 | 1,500 | - | 1,500 |
| West Nile Virus | 25,000 | 25,000 | 723 | 24,277 |
| NPDES | 600 | 600 | 241 | 359 |
| Reserve for Losses | 6,000 | 6,000 | - | 6,000 |
| Purchase of Fixed Assets | 1,000 | 1,000 | 32,841 | (31,841) |
| Total Charges to Appropriations | 299,500 | 299,500 | 259,492 | 40,008 |
| Budgetary Fund Balance, June 30 | \$ 585,141 | \$ 585,141 | \$ 644,252 | \$ 59,111 |

See Notes to Financial Statements

**COMPTON CREEK MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2016**

Note 1: Organization and Summary of Significant Accounting Policies

a. Description of the Reporting Entity

The Compton Creek Mosquito Abatement District (the "District") is organized and operated under a fund accounting concept. The records are maintained on a modified cash basis. At year-end, the records are converted to an accrual basis for statement purposes. The budget to actual comparison for revenues and expenditures is presented on the accrual basis upon which the District's budget is prepared.

The General Fund's primary source of revenue is property taxes and benefit assessments levied on real and personal property within the District and interest revenue earned on cash deposited with the County Treasurer. All operating expenses and capital improvements are paid from the General Fund.

In fiscal year 1981-82, the District adopted a method of accounting for property tax revenue in accordance with generally accepted accounting principles which indicates that property tax revenues are recognized when they are "due, or past due and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days." The District therefore recognizes as property tax revenue all property taxes receivable for which receipt is expected within 60 days of fiscal year-end. Property taxes receivable not expected to be received within 60 days are designated as deferred revenue.

The District implemented the provisions of GASB Statement No. 34, which requires a new financial statement presentation, beginning in fiscal year 2003-2004. The details of the reporting model are stated in the following paragraphs.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the Compton Creek Mosquito Abatement District.

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

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

**Compton Creek Mosquito Abatement District
Notes to Financial Statements (Continued)**

Taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax receipts and fee revenue not allocated by law, Board policy or contractual agreement to other funds are accounted for in the General Fund. General Fund expenditures include operations traditionally associated with activities, which are not required to be accounted for, or paid by another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1989, generally are followed in the government-wide fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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

d. Assets, Liabilities and Net Assets or Equity

Cash and Investments

All cash and investments of the District are invested by the County Treasurer. Investments are reported at fair value.

Receivables and Payables

All trade and property tax receivable are shown net of allowance for uncollectibles.

Under California Law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by voters. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. The property taxes go into a pool and are allocated to the cities and special districts based on a complex formula. Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means then due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The Compton Creek Mosquito Abatement District accrues revenue only for those taxes, which are received within 60 days after year-end.

Prepaid Costs

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. It is the District's policy to report the fund balances in the governmental fund types as nonspendable for amounts equal to the prepaid items in the fund-level statements, since these amounts are not available for appropriation.

**Compton Creek Mosquito Abatement District
Notes to Financial Statements (Continued)**

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|--|--------------|
| Structure and improvements | 60 |
| Computer equipment | 5 |
| Automotive equipment | 5 |
| Furniture, fixture and other equipment | 5 |

Compensated Absences

Sick leave is payable when an employee is unable to work because of illness. The District's policy permits employees to accumulate earned but unused sick pay benefits up to 176 hours. Any sick leave earned above this amount is compensated to the employee at a rate of 50%. The total amount of liability for unused sick pay benefits are accrued when incurred in the Statement of Net Position. The District utilizes its General Fund in the governmental fund financial statements to account for the short-term portion of its liability. The short-term portion is determined to be the amount due to employees for future absences, which is attributable to services already rendered, and which is expected to be paid during the next fiscal year. All unused sick leave is compensated upon termination.

The District grants the Manager 20 days or 160 hours of vacation a year. Vacation pay is payable to employees at the time a vacation is taken. The employee can accumulate up to 320 hours of unused vacation. Any unused vacation in excess of 320 hours is compensated to the employee.

e. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes reconciliation between fund balance - governmental funds and net assets of governmental activities as reported in the government-wide statement of net position. A reconciliation of Governmental Fund balances to net position is as follows:

**Compton Creek Mosquito Abatement District
Notes to Financial Statements (Continued)**

| | |
|--|---------------------|
| Governmental Funds-Ending Fund Balances | <u>\$ 644,252</u> |
| Capital Assets: | |
| Capital Assets, Not Being Depreciated | 13,014 |
| Capital Assets, Being Depreciated | 222,955 |
| Accumulated Depreciation | <u>(166,129)</u> |
| | <u>69,840</u> |
| Deferred Inflows and Outflows: | |
| Deferred revenue recognized as current revenue, since revenue recognition is not based upon availability criteria | 14,086 |
| Deferred pension Inflows | (12,955) |
| Deferred pension Outflows | 8,507 |
| | <u>9,638</u> |
| Other Adjustments | |
| Net Pension Asset | 439,860 |
| Compensated absences not payable in the current year | (12,824) |
| Prepaid postemployment benefits | 24,949 |
| | <u>451,985</u> |
| Net adjustment to increase fund balances of governmental funds to arrive at Statement of Net Assets | <u>531,463</u> |
| Government -Wide Statement of Net Position- Total Net Asssets | <u>\$ 1,175,715</u> |

Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures and changes in fund balances includes reconciliation between net changes in fund balances - of total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The reconciliation of the changes in fund balance with the changes in net position is as follows:

| | |
|--|-------------------|
| Government Funds-Changes in Fund Balance | <u>\$ 72,611</u> |
| Captal outlay which is capitalized rather than expensed | 32,841 |
| Depreciation expense | (19,577) |
| Deferred revenue recognized as current revenue, since revenue recognition is not based upon availability criteria | (984) |
| Compensated absences reported in the Statement of Activities, not requiring additional expenditures in the governmental funds | 5,456 |
| Postemployment benefits | (1,253) |
| Recognition of Pension Asset | <u>104,200</u> |
| Net adjustments to increase net changes in fund balances of Governmental Funds to arrive at changes in the Statement of Activities | <u>120,683</u> |
| Statement of Activity-Changes in Net Position | <u>\$ 193,294</u> |

**Compton Creek Mosquito Abatement District
Notes to Financial Statements (Continued)**

f. Pensions

For the purpose of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to and deductions from the fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. CalPERS audited financial statements are publicly available reports that can be obtained from CalPERS.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

| | |
|--------------------|-------------------------------|
| Valuation Date | June 30, 2014 |
| Measurement Date | June 30, 2015 |
| Measurement Period | July 1, 2014 to June 30, 2015 |

Note 2: Stewardship, Compliance and Accountability

A. General Budget Policies

The Board of Trustee's approves each year's preliminary budget submitted by the District Manager prior to the beginning of the new fiscal year. The Board conducts public hearings prior to adoption of the final budget on or before October 1 of each year. The Board, where required during the period, also approves supplemental appropriations. In most cases, expenditures may not exceed appropriations at the department level. All operating budget appropriations lapse at the fiscal year end.

B. Budget Basis of Accounting

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Note 3: Cash and Investments

As of June 30, 2016, cash and investments were reported in the accompanying financial statements as follows:

| | |
|---------------------------------------|-------------------|
| Cash on deposit with County Treasurer | \$ 619,316 |
| Cash in bank | <u>15,530</u> |
| Total | <u>\$ 634,846</u> |

The District maintains a cash and investment pool that is available for use in the general fund. The District has adopted an investment policy that authorizes it to invest with the County Treasurer or a bank.

Deposits

At June 30, 2016, the total carrying amounts of the District's deposits with banks were \$15,530 and the bank balance was \$15,530

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of

**Compton Creek Mosquito Abatement District
Notes to Financial Statements (Continued)**

110% of an entity's deposits. California law also allows financial institutions to secure an entity's deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$100,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public District depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

Disclosures Relating to Interest Rate Risk

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 is to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by maintaining a significant portion of District investments in short-term investments with the County investment pool, which provides adequate cash flow and liquidity as needed for operations. At June 30, 2016 the District's funds were invested in accounts held by the investment institutions at various interest rates. There are no investments with a maturity date exceeding than one year thereby minimizing the risk of lower interest rates.

Cash on deposit with County Treasurer cannot be assigned a credit risk category because the District does not own specific securities. However, the County Treasurer's policies and practices with regard to the credit and market risks have been determined acceptable to the District's investment policies.

| | <u>Fair Value</u> |
|---|-------------------|
| Cash on deposit with Los Angeles County Treasurer | <u>\$ 619,316</u> |

GASB Statement No. 31

The District adopted GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. GASB Statement No. 31 establishes fair value standards for investments and accordingly, the District reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of

**Compton Creek Mosquito Abatement District
Notes to Financial Statements (Continued)**

investment or collateral securities that are in the possession of an outside party.

As of June 30, 2016, the District's deposits were under the bank's FDIC limit and therefore were not exposed to custodial credit risk. The banks are required to collateralize the District's deposits by pledging government securities, as previously described under "Deposits".

Concentration of Credit Risk

The District's investment policy does not impose restrictions for certain types of investments with any one issuer, however GASB Statement No. 40 requires a separate disclosure if any single issuer comprises more than 5% of the total investment value. As of June 30, 2016, all of the District's deposits were with the Bank of America and the County of Los Angeles.

Investment in LA County Pooled Surplus Investments (LA County Pool)

The District is an involuntary participant in the Los Angeles County Pooled Surplus Investments (LA County Pool) which is under the direct authority of the Los Angeles Treasurer and Tax Collector and governed by the California Government Code. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LA County for the entire LA County Pooled Surplus Investment portfolio (in relation to the amortized cost of the portfolio). The balance available for withdrawal is based on the accounting records maintained by the Los Angeles County Auditor Controller, which are recorded on an amortized cost basis.

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|------------------|-------------|-------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 13,014 | \$ - | \$ - | \$ 13,014 |
| Total Capital Assets, Not Being Depreciated | <u>13,014</u> | <u>-</u> | <u>-</u> | <u>13,014</u> |
| Capital assets, being depreciated: | | | | |
| Building and Improvements | 54,329 | - | - | 54,329 |
| Furniture, fixtures and equipment | 135,786 | 32,841 | - | 168,627 |
| Total Capital Assets, Being Depreciated | <u>190,115</u> | <u>32,841</u> | <u>-</u> | <u>222,956</u> |
| Less accumulated depreciation: | | | | |
| Building and improvements | 36,670 | 5,233 | - | 41,903 |
| Furniture, fixtures and equipment | 109,883 | 14,344 | - | 124,227 |
| Total Accumulated Depreciation | <u>146,553</u> | <u>19,577</u> | <u>-</u> | <u>166,130</u> |
| Total Capital Assets, Being Depreciated, Net | <u>43,562</u> | <u>13,264</u> | <u>-</u> | <u>56,826</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 56,576</u> | <u>\$ 13,264</u> | <u>\$ -</u> | <u>\$ 69,840</u> |

**Compton Creek Mosquito Abatement District
Notes to Financial Statements (Continued)**

Note 5: Pension Plan Obligations

The District contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California.

All full-time District employees participate in CalPERS. Benefits vest after five years of service. District employees who retire at or after the age of sixty with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to two percent per year of employment, of their average salary during their last 36 months of employment. The District, through CalPERS, also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute and action of the District's Board of Trustees.

District employees are required to contribute seven percent of their annual salary to CalPERS. The District's Board of Trustees passed Board Resolution 03-06 which sets forth the District's position on employee contributions to the Plan. The resolution allows for the District to make the contribution on behalf of its employees as long as the District retains its super funded status with CalPERS. The District is required to contribute the remaining amounts necessary to fund the benefits for its members using the actuarial basis adopted by the CalPERS Board of Administration.

General Information about the Pension Plan

Plan description - The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS).

Benefits provided – Eligible employees are provided a "2% at 60" retirement benefit formula. The monthly retirement allowance is determined by age at retirement, years of service credit, and final compensation. The basic benefit is 2% of final compensation for each year of credited service upon retirement at age 60. If retirement is earlier than age 60, the percentage of final compensation decreases for each quarter year of attained age. If the retirement is deferred beyond age 60, the percentage of final compensation increases for each quarter year to age 63.

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. The total plan contributions are determined through the CalPERS' annual actuarial process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the measurement period ended June 30, 2014, the active employee contribution rate is 6.88% of annual pay, and the average employer's contribution rate is 7.505% of annual payroll. Employer contribution rates may change if plan contracts are amended.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the District reported an asset of \$439,860 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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

**Compton Creek Mosquito Abatement District
Notes to Financial Statements (Continued)**

plan relative to the projected contributions of all participating special districts, actuarially determined.

For the year ended June 30, 2016, the District recognized pension income of \$98,487. At June 30, 2016, the District reported deferred outflows of resources of \$8,507 and deferred inflow of resources of \$12,955.

Actuarial assumptions – For the period ended June 30, 2016, the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. Both the June 30, 2016 and 2015 total pension liabilities were based on the following actuarial methods and assumptions:

| | |
|---------------------------|---|
| Valuation Date | June 30, 2012 |
| Actuarial Cost Method | Entry Age Normal in accordance with the GASB 68 |
| Asset Valuation Method | Actuarial Value of Assets |
| Actuarial Assumptions: | |
| Inflation | 2.75% |
| Salary Increases | Varies by Entry Age and Service |
| Investment Rate of Return | 7.50% net of investment and administrative expenses |
| Mortality Rate Table | Based on the 2010 CalPERS experience study |
| Payroll growth | 3.00% |
| Retirement Age | Based on the 2010 CalPERS experience study |

Note 6: Postemployment Healthcare Benefits

Plan Description

The District provides other postemployment benefits (OPEB) through the Public Employees' Medical and Hospital Care Act (PEMHCA), an agent multiple-employer defined benefit health-care plan administered by the California Public Employees Retirement System (PERS). The plan provides lifetime healthcare insurance for eligible retirees and their spouses. The plan does not issue a publicly available financial report.

Funding Policy

On August 1, 2011, the District opened a non refundable trust account with CalPERS, California Employers Retiree Benefit Trust Fund (CERBT), and has made contributions to this account to pre-fund these benefits. This fund covers the OPEB benefits for all full-time, vested District employees.

GASB Statement 45 requires public entities to perform periodic actuarial valuations to measure and disclose their retiree healthcare liabilities for the financial statements of both the employer and trust set aside to pre-fund these benefits. The District has set up a trust. The Compton Creek Mosquito Abatement District engaged an actuary to analyze the liabilities associated with its current retiree health program as of the valuation date of July 1, 2015.

The annual required contribution (ARC) presented below is 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 (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

**Compton Creek Mosquito Abatement District
Notes to Financial Statements (Continued)**

| | |
|--|---------------------------|
| Annual required contribution | \$ 1,481 |
| Interest on OPEB obligation | (1,834) |
| Adjustment to ARC | 1,606 |
| Annual OPEB cost | <u>1,253</u> |
| Contributions made | - |
| Increase (decrease) in net OPEB obligation | <u>1,253</u> |
| Net OPEB obligation (Asset) June 30, 2015 | <u>(26,202)</u> |
| Prepaid OPEB costs at June 30, 2016 | <u><u>\$ (24,949)</u></u> |

Annual OPEB Costs and Net OPEB Obligation (Asset)

For fiscal year 2014-2016, the District's annual OPEB cost (expenses) of \$3,187 was equal to the ARC, interest on the OPEB obligation at the beginning of the year plus an actuarial adjustment to the ARC. Information on the annual OPEB cost, percentage of Annual OPEB cost contributed, and Net OPEB Obligation for the past three years is presented below:

| Fiscal Year End | Annual OPEB Cost | Actual Contribution | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|--------------------|---------------------|------------------------|--|------------------------|
| June 30, 2014 | <u>\$ 3,054</u> | <u>\$ -</u> | <u>0%</u> | <u>\$ (29,389)</u> |
| June 30, 2015 | <u>\$ 3,187</u> | <u>\$ -</u> | <u>0%</u> | <u>\$ (26,202)</u> |
| June 30, 2016 | <u>\$ 1,253</u> | <u>\$ -</u> | <u>0%</u> | <u>\$ (24,949)</u> |

Note 7: Contingency

The District is a participant in the lawsuit LAUSD v. County of Los Angeles et al. This was an action by the Los Angeles Unified School District (LAUSD) against the County of Los Angeles and thirteen local redevelopment agencies seeking to compel the County to calculate, and the redevelopment agencies to pay to LAUSD, the alleged full-measure of "redevelopment pass-through payments" to which LAUSD believes it is entitled by law. The writ of mandate was denied and an appeal ensued. The Court of Appeals on January 27, 2010 issued its order reversing the lower court's decision and remanding the case back to the lower court for decision. The District is one of the Special Districts named in this litigation. Presently, the lower court has been unable to get the parties to agree on how the computations are to be made to give LAUSD the proper amounts.

Because of the uncertainty arising from the counts inability to determine the computation methodology and given that redevelopment agencies were dissolved effective February 1, 2016 by actions of the legislature with pass-through payments now being calculated and paid directly by the County of Los Angeles, it is not possible to determine the financial impact to the District of this litigation. However, District management believes, because of the small amount of revenues it has received from the pass-through payments that the financial impact, if any will be small.

Note 8 Fund Equity

In the fund financial statements, government funds report the following fund balance classifications:

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

**Compton Creek Mosquito Abatement District
Notes to Financial Statements (Continued)**

Restricted includes amounts that are constrained on the use of resources by either (a) external creditors, grantors, contributors, or laws of regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Committed includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest authority, the Board of Trustees. The formal action that is required to be taken to establish, modify or rescind a fund balance commitment is through Board resolution.

Assigned includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Trustees is authorized to assign amounts to a specific purpose.

Unassigned includes the residual amounts that have not been restricted, committed or assigned to specific purposes.

An individual governmental fund could include Nonspendable resources and amounts that are restricted or unrestricted (committed, assigned or unassigned) or any combination of those classifications. Restricted or unrestricted amounts are considered spent when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and amounts are considered to have been spent when expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Note 9: Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District, as a member of the Vector Control Joint Powers Authority (VCJPA) participates in self-insured pools to manage the potential liabilities that may occur from the previously named sources. The VCJPA is a consortium of 35 mosquito abatement and/or vector control districts in the State of California. The VCJPA's purpose is to arrange and administer programs of self insured losses and to purchase excess or group insurance coverage. The day-to-day business is handled by a risk management group contracted by the VCJPA. The District participates in the liability and property programs of the VCJPA as follows:

- General and auto liability, public officials and employees' errors and omissions
- Workers' compensation
- Property damage
- Auto physical damage
- Business travel (optional insurance policy)
- Group fidelity (optional insurance policy)

The District is covered for the first \$1,000,000 of each general liability claim and \$500,000 of each workers compensation claim through the VCJPA. The District has the right to receive dividends, if declared by the Board of Directors for a program year in which the District participated, 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 worker's compensation losses under \$25,000. The VCJPA participates in an excess pool which provides general liability coverage from \$1,000,000 to \$29,000,000 and in an excess pool which provides worker's compensation coverage over \$500,000 to \$5,000,000 and purchases excess insurance above \$5,000,000 up to the statutory limit. The VCJPA can be contacted directly for additional financial information.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the year ended

**Compton Creek Mosquito Abatement District
Notes to Financial Statements (Continued)**

June 30, 2016. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payables as of June 30, 2016.