

**SOLANO COUNTY
MOSQUITO ABATEMENT DISTRICT**

**BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2021**

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SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Solano County Mosquito Abatement District
Fairfield, California

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Solano County Mosquito Abatement District (District), as of and for the year ended June 30, 2021, 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 the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General Fund of the Solano County Mosquito Abatement District, as of June 30, 2021, and the changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 84, which became effective during the year ended June 30, 2021, as discussed in Note 1 to the financial statements

The emphasis of these matters does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other Required Supplementary Information, 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.

Maze + Associates

Pleasant Hill, California
September 14, 2021

SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) of the Solano County Mosquito Abatement District's (the District) activities and financial performance provides an introduction to the financial statements of the District for the fiscal year ending June 30, 2021. The District is required to undergo an annual financial statement audit under California Government Code Section 26909.

Following this MD&A are the basic financial statements of the District together with the notes thereto which are essential to a full understanding of the data contained in the financial statements.

DISTRICT ACTIVITY HIGHLIGHTS

The District is headquartered in Solano County on Industrial Court in Fairfield. The District has provided mosquito control in Solano County since it was established in 1930. The Board of Trustees consists of eight trustees, one appointed by the County and one appointed by each of the seven cities located in the County. The general manager coordinates and oversees the activities of the District and supervises eight employees who work together in the public interest.

Mosquitoes that can carry St. Louis encephalitis, Western Equine encephalitis, West Nile virus and canine heartworm are prevalent throughout the District.

Mosquito and vector control activities include public education, larval control, adult control, trapping, and monitoring. Activities are conducted year-round; however, the highest level of activity is in the spring and summer months when insect growth and activity is greatest. Surveillance is performed throughout the District. Mosquito specimens are collected at many sites for virus testing and to evaluate mosquito concentrations, breeding data, and species. Surveillance also includes routine inspections of areas known to breed high concentrations of mosquitoes and collection and evaluation of dead birds that may be infected with vector borne diseases.

Since the summer of 2004, West Nile virus has been detected in Solano County. This virus is carried by mosquitoes and presents a threat to the public health. The District monitors surveillance results from other disease control agencies in California and around the country and conducts its own surveillance activities for this virus. The virus has been detected in Solano County in 2020. There were no human cases in the years 2009 through 2011. There were cases in 2012 (2), 2013 (1), 2014 (5), 2015 (1), 2016 (4), 2017 (1) and 2019 (1) and 2020 (1). None of the human cases were fatal.

Financial activities are supported from property tax revenues collected by the County of Solano and remitted to the District.

**SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL POSITION SUMMARY

The District has designed a financial accounting system to record its financial activities, provide budgetary control and analysis and report its financial position and results of operations. A condensed summary of the District's financial statements is shown as follows:

| ASSETS | <u>2021</u> | <u>2020</u> |
|---|--------------------|--------------------|
| Current assets and other | \$6,355,282 | \$6,273,987 |
| Capital assets | <u>1,346,822</u> | <u>1,451,910</u> |
| TOTAL ASSETS | <u>7,702,104</u> | <u>7,725,897</u> |
| DEFERRED OUTFLOWS OF RESOURCES | <u>1,518,587</u> | <u>1,134,833</u> |
| LIABILITIES | | |
| Current and other liabilities | <u>1,656,072</u> | <u>1,815,474</u> |
| TOTAL LIABILITIES | <u>1,656,072</u> | <u>1,815,474</u> |
| DEFERRED INFLOWS OF RESOURCES | <u>921,275</u> | <u>879,422</u> |
| NET POSITION | | |
| Net investment in capital assets | 845,019 | 1,451,910 |
| Unrestricted | <u>5,798,325</u> | <u>4,713,924</u> |
| NET POSITION | <u>\$6,643,344</u> | <u>\$6,165,834</u> |

The District's assets exceeded liabilities by \$6,643,344 at June 30, 2021. Cash makes up the majority of the assets, representing 80.9% of assets. These assets are used by district employees to provide controlservices to the public. Capital assets, before depreciation, decreased by \$105,088 in 2021 due to current year depreciation expense. The District has plans to continually replace equipment when the need arises.

Current assets include cash and short-term investments that are used to pay expenses and liabilities, make capital investments, and provide working capital for the District. The District receives its revenues when property taxes are paid and remitted from the County. Property taxes are due in semi-annual installments and are generally paid in December and April of each year. Cash and investment levels are generally highest in December and April. These cash and investment balances carry the District's cash requirements for the next six months when virtually no cash revenues are received. Cash levels are lowest in November and March. The District has no debt financing.

**SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL OPERATIONS HIGHLIGHTS FOR FISCAL YEAR 2020

| | 2021 | 2020 |
|---|------------------|--------------------|
| Revenues | \$3,214,921 | \$3,017,880 |
| Operating expenses | 2,737,411 | 1,969,833 |
| Excess of Revenues over Expenses | \$477,510 | \$1,048,047 |

Revenues increased from \$3,017,880 to \$3,214,921. Operating expenses increased from \$1,969,833 to \$2,737,411, primarily due to the GASB 68 adjustments to pension expense.

ANALYSIS OF SIGNIFICANT BUDGET-TO-ACTUAL VARIATIONS

| | June 30, 2021 | | |
|---|------------------|--------------------|------------------|
| | Actual | Budget | Variance |
| Revenues | \$3,214,921 | \$2,532,467 | \$682,454 |
| Operating expenses | 3,092,365 | 2,856,084 | 236,281 |
| Excess of Revenues over Expenses | \$122,556 | (\$323,617) | \$446,173 |

The District prepares an annual budget and measures actual results versus budgeted amounts on a monthly and annual bases. The budget is prepared by management and approved by the Board of Trustees. During fiscal year 2021 revenues exceeded budget by \$682,454. Revenues were budgeted based on anticipated property tax revenues that have historically been received. Expenditures were greater than budgeted in an amount totaling \$236,281. The County determines the assessed valuations for the property tax rolls and the amount actually received is generally different than the budgeted amount due to changes in assessments and collections that occur during the year.

Operating expenses of the District are budgeted based on historical amounts and anticipated needs and events expected during the fiscal year. Overall operating expenses were significantly less than total budgeted expenses. Higher operating expenses due to the presence of West Nile virus were anticipated – fortunately, the viral activity was less than expected.

FINANCIAL STATEMENTS

The District's financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. The District is structured as a single governmental fund. Revenues are recognized when they become measurable and available. Expenses are recognized when incurred. Capital assets are capitalized and depreciated in the government-wide financial statements.

SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

DESCRIPTION OF SIGNIFICANT CAPITAL ASSET ACTIVITIES

The District prepares a capital budget each year to plan for the orderly replenishment of equipment and facilities. Capital investments are usually financed internally from operations. There are current plans to continue replacing equipment on an as-needed basis.

DESCRIPTION OF CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The West Nile virus was first discovered in the eastern United States in 1999. The virus is mosquito borne and is carried by birds along their migratory paths. West Nile virus was found in birds in the District in the summer of 2004 and human cases were first reported in the summer of 2005. Birds have been infected every year since. Human cases were reported for years 2005 through 2008 and again in 2012, 2013, 2014, 2015, 2017, 2019, 2020 and 2021. The District anticipated this continued West Nile virus activity and continues to provide surveillance, monitoring, abatement, and public education regarding this disease. Fortunately, the viral activity in Solano County has not reached the levels found in some of the surrounding counties where substantial additional funds have been expended in responding to the increased threat.

USING THIS AUDIT REPORT

This annual financial report consists of two parts: The Management's Discussion and Analysis (this section) and the basic financial statements. The financial statements also include Notes to the Financial Statements that further explain some of the information in the financial statements and provide additional data regarding the District's operations.

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional information, please contact the District's Manager at 2950 Industrial Court, Fairfield, California, 94533.

SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
GOVERNMENTAL FUND BALANCE SHEET AND GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
JUNE 30, 2021

| | General Fund | Reconciliation Adjustments | Statement of Net Position |
|--|--------------------|-------------------------------|------------------------------|
| ASSETS | | | |
| Cash and investments (Note 2) | \$6,233,103 | | \$6,233,103 |
| Inventory | 115,143 | | 115,143 |
| Prepaid expenses | 7,036 | | 7,036 |
| Land | | \$501,803 | 501,803 |
| Capital assets, net of accumulated depreciation | | 845,019 | 845,019 |
| | <u>\$6,355,282</u> | <u>\$1,346,822</u> | <u>\$7,702,104</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Pension related (Note 5) | | \$831,900 | \$831,900 |
| OPEB related (Note 6) | | 686,687 | 686,687 |
| | | <u>1,518,587</u> | <u>1,518,587</u> |
| LIABILITIES | | | |
| Compensated absences (Note 4) | | 72,373 | 72,373 |
| Net pension liability - long term | | 568,698 | 568,698 |
| Net OPEB liability - long term | | 1,015,001 | 1,015,001 |
| | | <u>1,656,072</u> | <u>1,656,072</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Pension related (Note 5) | | 756,543 | 756,543 |
| OPEB related (Note 6) | | 164,732 | 164,732 |
| | | <u>921,275</u> | <u>921,275</u> |
| FUND BALANCES (Note 1) | | | |
| Fund Balances: | | | |
| Nonspendable | \$122,179 | (122,179) | |
| Assigned for contingency/public health emergency | 1,000,000 | (1,000,000) | |
| Assigned for Pension Liability Fund | 1,000,000 | (1,000,000) | |
| Assigned for Working Capital Fund | 1,632,997 | (1,632,997) | |
| Assigned for Capital Improvements | 1,000,000 | (1,000,000) | |
| Unassigned | 1,600,106 | (1,600,106) | |
| | <u>6,355,282</u> | <u>(6,355,282)</u> | |
| | <u>\$6,355,282</u> | | |
| NET POSITION | | | |
| Invested in capital assets, net of related debt | | 845,019 | 845,019 |
| Unrestricted | | 5,798,325 | 5,798,325 |
| | | <u>\$6,643,344</u> | <u>\$6,643,344</u> |

See accompanying notes to financial statements

SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

| | General Fund | Reconciliation Adjustments | Statement of Activities |
|--|--------------------|-------------------------------|----------------------------|
| REVENUES | | | |
| Property taxes | \$2,426,387 | | \$2,426,387 |
| Other tax revenue | 708,323 | | 708,323 |
| Charges for services | | | |
| Use of money and property | 63,101 | | 63,101 |
| Miscellaneous | 17,110 | | 17,110 |
| Total Revenues | 3,214,921 | | 3,214,921 |
| EXPENDITURES | | | |
| Current: | | | |
| Salaries and salaries extra help | 978,548 | (\$5,569) | 972,979 |
| Employee benefits | 1,299,172 | (454,473) | 844,699 |
| Pest control supplies | 354,776 | | 354,776 |
| Air spray | 55,635 | | 55,635 |
| Insurance | 85,028 | | 85,028 |
| Facilities maintenance | 54,435 | | 54,435 |
| Property tax administration | 30,850 | | 30,850 |
| Treasury fee | 3,448 | | 3,448 |
| Utilities | 36,272 | | 36,272 |
| Equipment maintenance | 25,777 | | 25,777 |
| Small tools | (273) | | (273) |
| Gas and oil | 21,922 | | 21,922 |
| Lab and fish expenses | 20,622 | | 20,622 |
| Office supplies | 8,717 | | 8,717 |
| Personnel supplies | 8,277 | | 8,277 |
| Shop supplies | 2,641 | | 2,641 |
| Professional services | 45,995 | | 45,995 |
| Memberships | 17,550 | | 17,550 |
| Publishing | 27,393 | | 27,393 |
| Research | | | |
| Conference | 1,716 | | 1,716 |
| Communication | 12,590 | | 12,590 |
| Continuing education | 1,186 | | 1,186 |
| Travel | 88 | | 88 |
| Capital Outlay | | | |
| Depreciation expense | | 105,088 | 105,088 |
| Total Expenditures | 3,092,365 | (460,042) | 2,737,411 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 122,556 | 460,042 | 477,510 |
| BEGINNING FUND BALANCE/NET POSITION | 6,232,726 | (66,892) | 6,165,834 |
| ENDING FUND BALANCE/NET POSITION | \$6,355,282 | | \$6,643,344 |

See accompanying notes to financial statements

SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
 Reconciliation of the
 GOVERNMENTAL FUNDS - BALANCE SHEET
 with the
 STATEMENT OF NET POSITION
 JUNE 30, 2021

Total fund balances reported on the governmental funds balance sheet \$6,355,282

Amounts reported for Governmental Activities in the Statement of Net Position are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds. 1,346,822

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

| | |
|--|-----------|
| Deferred outflows of resources - pension related | 831,900 |
| Deferred inflows of resources - pension related | (756,543) |
| Deferred outflows of resources - OPEB related | 686,687 |
| Deferred inflows of resources - OPEB related | (164,732) |

LONG TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:

| | |
|---|--------------------|
| Non-current portion of compensated absences | (72,373) |
| Collective net pension liability | (568,698) |
| Net OPEB Liability | <u>(1,015,001)</u> |

NET POSITION OF GOVERNMENTAL ACTIVITIES \$6,643,344

See accompanying notes to financial statements

SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2021

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

| | |
|--|-----------|
| NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS | \$122,556 |
|--|-----------|

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.

| | |
|--|-----------|
| Depreciation expense is deducted from fund balance | (105,088) |
|--|-----------|

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):

| | |
|---|----------------|
| Compensated absences | 5,569 |
| Pension expense, net of deferred inflows and outflows | (51,187) |
| Salary and benefit expenses related to OPEB | <u>505,660</u> |

| | |
|---|-------------------------|
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | <u><u>\$477,510</u></u> |
|---|-------------------------|

See accompanying notes to financial statements

SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2021

| |
|---|
| NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES |
|---|

Description of the Reporting Entity

The Solano County Mosquito Abatement District (the District) was formed by joint resolution of the Board of Supervisors of Solano County on June 18, 1930. The purpose of the District is to provide protection to the people against mosquito-borne diseases and relief from serious pest nuisance. The governing powers are found in the State Health and Safety Code, Chapter five of Division three. The District is governed by a Board of Trustees consisting of eight members. The City Council of each of the seven cities in the county is responsible for appointing one member, and the eighth member is appointed by the Solano County Board of Supervisors.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the District’s overall financial position and results of operations. This is required supplementary information.
- Government-wide financial statements prepared using the economic resources measurement focus and the accrual basis of accounting for all of the District’s activities.

These and other changes are reflected in the accompanying financial statements, including these notes to financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information on all of the nonfiduciary activities of the primary government.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Other items not properly included among program revenues are reported instead as general revenues.

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.

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 collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2021

| |
|---|
| NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued) |
|---|

Fund Accounting

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

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

Governmental Funds

The “measurement focus” of a Governmental Fund is upon determination of financial position and changes in financial positions (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the Governmental Funds used by the District:

General Fund – the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of the fund’s present increases (i.e., revenues) and decreases (i.e., expenditures) in net current assets.

The modified accrual basis of accounting is used by the governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available.) “Measurable” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred.

Those revenues susceptible to accrual are property taxes, special assessments, interest revenue and charges for services. Revenues consist mainly of property taxes that are calculated by Solano County. Tax levies are established in March of each year and are generally due in two installments in April and December of each year. Tax payments are remitted to the District by the respective county offices.

SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2021

| |
|---|
| NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued) |
|---|

Fair Value Measurements

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

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

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

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

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

Inventory

Inventory is valued at cost, which approximates market, using the first-in, first-out (FIFO) method. The costs of governmental fund-type inventory are recorded as expenditures when consumed rather than when purchased.

Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

Capital assets over \$1,000 are capitalized at cost, where historical records are available, and are updated for additions and retirements during the year. Donated fixed assets are valued at their estimated fair market value on the date received. Capital assets are depreciated over their estimated useful lives, using the straight-line method, ranging from 5 to 30 years.

Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Generally, earned vacation may be accumulated up to a maximum of 240 hours by all personnel. District employees do not receive compensation for accumulated sick leave upon termination of employment; however, accrued unused sick leave at the time of termination shall be allowed as service time for purposes of PERS retirement benefits, so long as it is consistent with the applicable PERS contract and statutes. Accordingly, no sick leave has been accrued.

SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2021

| |
|---|
| NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued) |
|---|

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position or balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Reserved Fund Balances

Reservations of fund balances are used to indicate the portion of the fund balance that is not available for expenditure or is segregated for a specific future use.

Portions of unreserved fund balances may be designated to indicate tentative plans for financial resource utilization in a future period, such as for general contingencies or debt service. Such plans or intent are subject to change and may never be legally authorized or result in expenditures.

Budgets and Budgetary Accounting

The Board of Trustees approves a tentative budget no later than June 30 of each year, and adopts a final budget no later than August 30.

From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations. The Board of Trustees may amend the budget by motion during the fiscal year or make transfers from one object or purpose to another within the same budget unit. The original budget is presented in the financial statements. Appropriations lapse at the end of each fiscal year.

A budget is adopted for the General Fund on an accounting basis that materially conforms to accounting principles generally accepted in the United States of America.

Deferred Compensation Plan

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457, and accounts for the liability and related assets (investments). The Plan, available to all full-time District employees, permits them to defer up to \$19,000 per year. Participants over the age of 50 may defer up to an additional \$6,000. The deferred compensation is not available to employees until termination, retirement, death or reaching age 70 ½. As of June 30, 2021, the balance of the 457 plan is \$1,174,368.

During the year ended June 30, 2021, the District implemented Government Accounting Standard's Board Statement 84 which removed the reporting of the Plan as it was determined the District is not a fiduciary of the Plan.

SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2021

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| NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued) |
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Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fund Balances

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions establishes accounting and financial reporting standards for all governments that report governmental funds.

Under GASB 54, fund balances for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are now broken out in five categories:

- Non-spendable Fund Balance – this fund balance classification includes amounts that cannot be spent because they are either not in spendable form (i.e. – prepaid expenses) or legally or contractually required to be maintained intact.
- Restricted Fund Balance – this fund balance classification should be reported when there are constraints placed on the use of resources externally (by creditors, grant sources, contributors, etc.) or imposed by law or enabling legislation.
- Committed Fund Balance – this fund balance classification can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority (i.e. – fund balance designations passed by board resolution).
- Assigned Fund Balance – this fund balance classification includes amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.
- Unassigned Fund Balance – this fund balance classification is the residual classification for the general fund.

Net Position

Net position presents the difference between assets and liabilities in the statement of net position. Net position invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments.

SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2021

NOTE 2 – CASH AND INVESTMENTS

The District Treasurer is responsible for maintaining a cash and investment pool for all funds in accordance with the District’s investment policy that is updated as necessary. The District maintains two checking accounts with a bank and invests cash in excess of immediate needs with the State of California Local Agency Investment Fund (LAIF). Funds invested with LAIF are treated as cash equivalents since they are immediately available. Total cash and investments are allocated to the District’s individual funds based on their equity in the pooled amount. Interest income is allocated to those funds that are required by law or administrative action to receive interest. Interest is allocated on a quarterly basis based on the aggregate cash balances in each fund receiving interest.

As of June 30, 2021, the carrying value of funds invested with the LAIF investment pool totaled \$1,233,906, which approximates market. The District also has funds in the Solano County Treasury of \$4,967,059 and Wells Fargo Bank of \$32,138.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. This hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The California Local Agency Investment Fund is exempt from the fair value hierarchy and is valued based on the fair value factor provided by the Treasurer of the State of California, which is calculated as the fair value divided by the amortized cost of the investment pool.

The District’s pooled deposits are categorized to give an indication of the level or risk assumed by the District at fiscal year-end. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the District or by its agent in the District’s name.

Category 2 - Collateralized with securities held by the pledging financial institution’s trust department or agent in the District’s name.

Category 3 – Uncollateralized.

Deposits, categorized by level or risk, are:

| | Bank Balance | Category | | |
|--------------------------------|--------------------|--------------------|---|---|
| | | 1 | 2 | 3 |
| Pooled Cash & Cash Equivalents | \$4,999,197 | \$4,999,197 | | |
| LAIF (Uncategorized) | 1,233,906 | | | |
| Total | \$6,233,103 | \$4,999,197 | | |

SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2021

NOTE 3 – CAPITAL ASSETS

The District’s recorded capital asset balances changed during the year as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|--|----------------------|-------------|------------|-------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$501,803 | | | \$501,803 |
| Total capital assets, not being depreciated: | 501,803 | | | 501,803 |
| Capital assets, being depreciated: | | | | |
| Building and improvements | 2,704,720 | | | 2,704,720 |
| Automotive equipment | 459,333 | | (\$44,962) | 414,371 |
| Equipment | 195,546 | | | 195,546 |
| Office equipment | 51,720 | | | 51,720 |
| Total capital assets, being depreciated | 3,411,319 | | (44,962) | 3,366,357 |
| Accumulated depreciation | (2,461,212) | (\$105,088) | 44,962 | (2,521,338) |
| Total capital assets being depreciated, net | 950,107 | (105,088) | | 845,019 |
| Capital assets, net of depreciation | \$1,451,910 | (\$105,088) | | \$1,346,822 |

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation expense was \$105,088 for the year ended June 30, 2021.

NOTE 4 – LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2021, as follows:

| Governmental Activities | Beginning Balance | Increases | Decreased | Ending Balance |
|-------------------------------|----------------------|-----------|-------------|----------------|
| Compensated absences | \$77,943 | | (\$5,570) | \$72,373 |
| Net Pension liability | 743,358 | | (174,660) | 568,698 |
| Net OPEB liability | 952,913 | \$62,088 | | 1,015,001 |
| Total Governmental Activities | \$1,774,214 | \$62,088 | (\$180,230) | \$1,656,072 |

NOTE 5 – EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)

Plan Description

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

**SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2021**

**NOTE 5 – EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)
(Continued)**

Benefits Provided

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after a minimum of 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan provisions and benefits in effect at June 30, 2021, are summarized as follows:

| | Miscellaneous | |
|---|---|--|
| | Tier 1 - Classic Prior to January 1, 2013 | Tier 2 - PEPRA On or after January 1, 2013 |
| Hire date | | |
| Benefit formula | 2% @ 55 | 2% @ 62 |
| Benefit vesting schedule | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50-67 | 52-67 |
| Monthly benefits, as a % of eligible compensation | 1.426%-2.418% | 1%-2.5% |
| Required employee contribution rates | 7.00% | 6.75% |
| Required employer contribution rates | 10.48% | 7.73% |

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability (UAL). The dollar amounts are billed on a monthly basis or can be paid in a lump sum at a reduced amount. The District elected to make the lump sum contributions and the required contribution for the unfunded liability was \$549,594 in fiscal year 2021, as shown in the table above.

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

For the year ended June 30, 2021 the District contributed \$139,787 to the Plan for Classic and PEPRA. The District also paid \$549,594 toward the unfunded liability.

The District has five active employees and eleven retirees as of the most recent actuarial valuation date of June 30, 2019.

SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2021

| |
|---|
| NOTE 5 – EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) (Continued) |
|---|

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

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

As of June 30, 2021, the District reported a net pension liability of \$568,698 for its proportionate shares of the net pension liability of the Plan.

The District's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2020, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2019 and 2020 was as follows:

| | Miscellaneous |
|------------------------------|---------------|
| Proportion - June 30, 2019 | 0.01856% |
| Proportion - June 30, 2020 | 0.00523% |
| Change - Increase (Decrease) | -0.0133% |

For the year ended June 30, 2021, the District recognized pension expense of \$51,187. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Pension contributions subsequent to measurement date | \$689,381 | |
| Differences between actual and expected experience | 29,307 | |
| Changes in assumptions | | (\$4,056) |
| Difference between District contributions and proportionate share of contributions | | |
| Change in proportion | 96,318 | |
| Net differences between projected and actual earnings on plan investments | 16,894 | (752,487) |
| Total | \$831,900 | (\$756,543) |

**SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2021**

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|--|
| NOTE 5 – EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) (Continued) |
|--|

The \$689,381 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ended June 30 | Annual Amortization |
|-----------------------|---------------------------|
| 2022 | (\$227,829) |
| 2023 | (219,028) |
| 2024 | (175,269) |
| 2025 | 8,102 |
| Total | <u><u>(\$614,024)</u></u> |

Actuarial Assumptions – For the measurement period ended June 30, 2020, the total pension liability was determined by rolling forward the June 30, 2019 total pension liability. The June 30, 2019 total pension liability was based on the following actuarial methods and assumptions for both benefit tiers.

| | Miscellaneous |
|----------------------------------|---|
| Valuation Date | June 30, 2019 |
| Measurement Date | June 30, 2020 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.15% |
| Inflation | 2.50% |
| Salary Increases | (1) |
| Investment Rate of Return | 7.15% (2) |
| Mortality | Derived using CalPERS Membership Data for all Funds (3) |
| Post Retirement Benefit Increase | Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies. |

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2019 valuation were based on the results of a December 2018 actuarial experience study for the period 1997 to 2015. Further details of the Experience Study can be found on the CalPERS website.

SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2021

NOTE 5 – EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)
(Continued)

Discount Rate – The discount rate used to measure the total pension liability for each Plan was 7.15%. The projection of cash flows used to determine the discount rate for each Plan assumed that contributions from all plan members in the Public Employees Retirement Fund (PERF) will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, each Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members for all plans in the PERF. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability for each Plan.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical and forecastable information for all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The table below reflects the long-term expected real rates of return by asset class.

| Asset Class (a) | New Strategic Allocation | Real Return Years 1 - 10 (b) | Real Return Years 11+(c) |
|------------------|--------------------------------|---------------------------------|-----------------------------|
| Global Equity | 50.00% | 4.80% | 5.98% |
| Fixed Income | 28.00% | 1.00% | 2.62% |
| Inflation Assets | 0.00% | 0.77% | 1.81% |
| Private Equity | 8.00% | 6.30% | 7.23% |
| Real Assets | 13.00% | 3.75% | 4.93% |
| Liquidity | 1.00% | 0.00% | -0.92% |
| Total | <u>100%</u> | | |

(a) In the CalPERS Comprehensive Annual Financial Report, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.00% used for this period.

(c) An expected inflation of 2.92% used for this period.

**SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2021**

**NOTE 5 – EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)
(Continued)**

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

| | 1% Decrease 6.15% | Discount Rate 7.15% | 1% Increase 8.15% |
|--|----------------------|------------------------|----------------------|
| District's proportionate share of the net pension plan liability | \$1,956,033 | \$568,698 | (\$577,613) |

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

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS

Plan Description and Benefits Provided

The District provides post-employment health care benefits to certain employees who are eligible to retire with PERS and have a retirement date within 120 days of separation of employment based on the hire date through an agent multiple employer plan.

Employees hired before February 1, 2011:

District employees are eligible for postretirement medical benefits upon reaching age 50 with a minimum of 5 years of service. Eligible retirees may enroll in any of the plans available through the CalPERS Program. The District pays up to 75% of the Kaiser Bay Area/Region 1 family rate.

Employees hired on or after February 1, 2011:

District employees hired on or after February 1, 2011 are part of the states' statutory plan per Government Code Section 22893. They can receive coverage for themselves and their dependents, up to a cap set annually by the California Department of Personnel Administration. Retirees have to work for the District for five years and have at least 10 years of PERS service to reach the minimum benefit of 50% coverage. The percentage of employer contribution increases 5% each year until 20 years of PERS service is reached with 100% coverage for the retiree and 90% for dependents, which is the maximum. As of July 1, 2019, the contribution amounts are \$734 for an individual, \$1,398 for two party coverage and \$1,788 for family coverage. If a retiree has between five and less than ten years of service, they receive the contractual minimum monthly payment of \$136 for 2019 and \$139 for 2020.

Expenditures for post-employment health care benefits are recognized as the premiums are paid. During the year ended June 30, 2021, expenditures of \$62,202 were recognized for post-employment health care benefits.

SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2021

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with an amount of funding the actuarial accrued liability as determined annually by the Board. For the fiscal year ended June 30, 2021, the District contributed the annual required contribution. For reporting purposes, this amount is capitalized as a deferred outflow of resource as the measurement period for the liability is June 30, 2019.

Employees Covered by Benefit Terms – Membership in the plan consisted of the following at the measurement date of June 30, 2020:

| | | |
|--|--|----|
| Active employees | | 9 |
| Inactive employees or beneficiaries currently receiving benefit payments | | 9 |
| Inactive employees entitled to but not yet receiving benefit payments | | 0 |
| Total | | 18 |

Net OPEB Liability

Actuarial Methods and Assumptions – The District’s net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2019 that was rolled forward using standard update procedures to determine the District’s total OPEB liability as of June 30, 2021, based on the following actuarial methods and assumptions:

| | Actuarial Assumptions |
|--------------------------------|--|
| Valuation Date | June 30, 2019 |
| Measurement Date | June 30, 2020 |
| Actuarial Assumptions: | |
| Discount Rate | 7.28% |
| Payroll Growth | 3.25% |
| Investment Rate of Return | 7.28% |
| Inflation | 2.26% |
| Pre-Retirement Mortality Rate | CalPERS 2017 Mortality re-retirement |
| Post-Retirement Mortality Rate | CalPERS 2017 Mortality post-retirement |
| Healthcare Cost Trend Rate | 6.80% for 2021, decreasing to the ultimate of 5.00% for 2029 and later years |

SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2021

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS (Continued)

Investment Policy – The District’s policy regarding the allocation of the plan’s invested assets is established and may be amended by District management. The primary objective is to maximize total Plan return, subject to the risk and quality constraints set forth in the investment guidelines. The investment objective the District has selected is Medium to High risk tolerance. The following is the District’s adopted asset allocation policy as of June 30, 2021:

| Investment Class | Target Allocation | Long-Term Expected Real Rate of Return (1) |
|------------------------------|----------------------|--|
| Equity | 60.00% | 5.49% |
| Fixed Income | 32.00% | 1.65% |
| Real Estate Investment Trust | 8.00% | 5.06% |
| Cash | 0.00% | 0.00% |

(1) JPMorgan arithmetic Long Term Capital Market assumptions and expected inflation of 2.26%

Investment Rate of Return – For the year ended June 30, 2021, the annual money-weighted rate of return on investments, net of investment expense, was 7.28%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate – The discount rate used to measure the total OPEB liability was 6.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in Net OPEB Liability

The changes in the net OPEB liability follows:

| | Increase (Decrease) | | |
|--|--------------------------------|---------------------------------------|--|
| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability/(Asset) (a) - (b) |
| Balance at June 30, 2019 | \$1,781,258 | \$828,345 | \$952,913 |
| Changes Recognized for the Measurement Period: | | | |
| Service Cost | 31,358 | - | 31,358 |
| Interest on the total OPEB liability | 129,735 | - | 129,735 |
| Changes in benefit terms | - | - | - |
| Differences between expected and actual experience | (8,170) | - | (8,170) |
| Changes of assumptions | - | - | - |
| Contributions from the employer | - | 62,202 | (62,202) |
| Net investment income | - | 29,037 | (29,037) |
| Administrative expenses | - | (404) | 404 |
| Benefit payments | (62,202) | (62,202) | - |
| Net changes | 90,721 | 28,633 | 62,088 |
| Balance at June 30, 2020 (Measurement Date) | \$1,871,979 | \$856,978 | \$1,015,001 |

SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2021

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS (Continued)

D. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.28%) or 1-percentage-point higher (8.28%) than the current discount rate:

| Net OPEB Liability/(Asset) | | |
|----------------------------|---------------|-------------------|
| Discount Rate -1% | Discount Rate | Discount Rate +1% |
| (6.28%) | (7.28%) | (8.28%) |
| \$1,246,237 | \$1,015,001 | \$822,231 |

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| Net OPEB Liability/(Asset) | | |
|-----------------------------|-----------------------------|-----------------------------|
| Healthcare Cost | | |
| 1% Decrease | Trend Rates | 1% Increase |
| (5.80% decreasing to 4.00%) | (6.80% decreasing to 5.00%) | (7.80% decreasing to 6.00%) |
| \$817,880 | \$1,015,001 | \$1,244,840 |

E. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of \$51,187. At June 30, 2021, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Contributions subsequent to measurement date | \$573,953 | |
| Differences between actual and expected experience | 85,084 | (\$6,885) |
| Changes of assumptions | | (157,847) |
| Net differences between projected and actual earnings on plan investments | 27,650 | |
| Total | \$686,687 | (\$164,732) |

SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2021

NOTE 6 – OTHER POST EMPLOYMENT BENEFITS (Continued)

The \$573,953 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Amounts reported as deferred inflows of resources related to OPEB will be recognized as part of OPEB expense as follows:

| Year Ended June 30 | Annual Amortization |
|-----------------------|------------------------|
| 2022 | (\$32,914) |
| 2023 | (14,016) |
| 2024 | 596 |
| 2025 | (1,587) |
| 2026 | (3,617) |
| Thereafter | (460) |
| Total | (\$51,998) |

NOTE 7 – SELF-INSURANCE PROGRAM

The Solano County Mosquito Abatement District entered into a Joint Powers Authority (JPA) agreement with other special districts throughout California to form a Self-Insurance Fund for the purpose of creating an insurance fund for comprehensive general liability and property damage, and to provide worker's compensation benefits for their employees. The pool uses a combination of self-insurance and excess insurance for potential claims. Condensed financial information (audited) of the Special District Risk Management Authority, at June 30, 2020 is presented below:

| | |
|---|------------------------|
| | Total Joint Venture |
| Current Assets | \$30,301,840 |
| Other Assets | 94,912,728 |
| Capital Assets | 5,462,303 |
| Deferred Outflows | 595,599 |
| Total Assets and Deferred Outflows | \$131,272,470 |
| Current Liabilities | \$22,545,229 |
| Non-Current Liabilities | 47,538,414 |
| Deferred Inflows | 246,193 |
| Net Position | 60,942,634 |
| Total Liabilities, Deferred Inflows and Net Position | \$131,272,470 |
| Total Revenues | \$76,284,929 |
| Total Expenditures | 77,599,711 |
| Other Non-Operating Income | 5,892,853 |
| Increase in Net Position | 4,578,071 |
| Net Position, July 1, 2019 | 56,364,563 |
| Net Position, June 30, 2020 | \$60,942,634 |

**SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
 NOTES TO BASIC FINANCIAL STATEMENTS
 For The Year Ended June 30, 2021**

NOTE 7 – SELF-INSURANCE PROGRAM (Continued)

The following is a summary of the insurance policies in force carried by the District as of June 30, 2021:

| Type of Coverage | District Limits | District Deductibles |
|---|--------------------|-------------------------|
| General/Auto Liability | \$10,000,000 | \$500-1000 |
| Employee Dishonesty Coverage | 1,000,000 | None |
| Property Loss | 800,000,000 | 1,000 |
| Boiler and Machinery | 100,000,000 | 1,000 |
| Public Officials Personal Liability | 500,000 | 1,000 |
| Comprehensive and Collision | Statutory | 250/500 or 500/1000 |
| Workers' Compensation Coverage & Employer's Liability | Statutory | None |

NOTE 8 – SUBSEQUENT EVENTS

The date of management review is through September 14, 2021. No additional events have occurred that would materially affect the carrying amount of the assets and liabilities reported on the District's year-end financial statements.

SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021

| | Original & Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|-------------------------------|---------------------------|---|
| REVENUES | | | |
| Property taxes | \$2,349,929 | \$2,426,387 | \$76,458 |
| Other tax revenue | 182,538 | 708,323 | 525,785 |
| Charges for services | | | |
| Use of money and property | | 63,101 | 63,101 |
| Miscellaneous | | 17,110 | 17,110 |
| | <u>2,532,467</u> | <u>3,214,921</u> | <u>682,454</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Salaries and salaries extra help | 884,584 | 978,548 | (93,964) |
| Employee benefits | 978,000 | 1,299,172 | (321,172) |
| Pest control supplies | 350,000 | 354,776 | (4,776) |
| Air spray | 175,000 | 55,635 | 119,365 |
| Insurance | 55,000 | 85,028 | (30,028) |
| Facilities miniatous | 40,000 | 54,435 | (14,435) |
| Property tax administration | 35,000 | 30,850 | 4,150 |
| Treasury fee | 4,000 | 3,448 | 552 |
| Utilities | 50,000 | 36,272 | 13,728 |
| Equipment maintenance | 30,000 | 25,777 | 4,223 |
| Small tools | 2,500 | (273) | 2,773 |
| Gas and oil | 35,000 | 21,922 | 13,078 |
| Lab and fish expenses | 35,000 | 20,622 | 14,378 |
| Office supplies | 15,000 | 8,717 | 6,283 |
| Personnel supplies | 10,000 | 8,277 | 1,723 |
| Shop supplies | 9,000 | 2,641 | 6,359 |
| Professional services | 45,000 | 45,995 | (995) |
| Memberships | 25,000 | 17,550 | 7,450 |
| Publishing | 40,000 | 27,393 | 12,607 |
| Research | | | |
| Conference | 15,000 | 1,716 | 13,284 |
| Communication | 18,000 | 12,590 | 5,410 |
| Continuing education | 2,500 | 1,186 | 1,314 |
| Travel | 2,500 | 88 | 2,412 |
| Capital Outlay | | | |
| | <u>2,856,084</u> | <u>3,092,365</u> | <u>(236,281)</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(323,617)</u> | <u>122,556</u> | <u>446,173</u> |
| NET CHANGE IN FUND BALANCE | <u><u>(\$323,617)</u></u> | <u>122,556</u> | <u><u>\$446,173</u></u> |
| BEGINNING FUND BALANCE | | <u>6,232,726</u> | |
| ENDING FUND BALANCE | | <u><u>\$6,355,282</u></u> | |

See accompanying notes to financial statements

REQUIRED SUPPLEMENTARY INFORMATION

**SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

**SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
Single-Employer Other Postemployment Defined Benefits Plan
Schedule of Changes in the
Net OPEB Liability and Related Ratios
Last Ten Fiscal Years ***

| Fiscal Year End Measurement Date | <u>6/30/21</u> <u>6/30/20</u> | <u>6/30/20</u> <u>6/30/19</u> | <u>6/30/19</u> <u>6/30/18</u> | <u>6/30/18</u> <u>6/30/17</u> |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Total OPEB Liability | | | | |
| Service Cost | \$31,358 | \$34,660 | \$33,009 | \$26,485 |
| Interest | 129,735 | 129,483 | 122,483 | 127,598 |
| Changes of benefit terms | | (52,816) | | |
| Differences between expected and actual experience | (8,170) | 117,464 | 1,225 | 15,299 |
| Changes of assumptions | | (159,102) | | (180,901) |
| Benefit payments | (62,202) | (63,671) | (63,478) | (61,789) |
| Net change in total OPEB liability | <u>90,721</u> | <u>6,018</u> | <u>93,239</u> | <u>(73,308)</u> |
| Total OPEB liability - beginning | <u>1,781,258</u> | <u>1,775,240</u> | <u>1,682,001</u> | <u>1,755,309</u> |
| Total OPEB liability - ending (a) | <u>\$1,871,979</u> | <u>\$1,781,258</u> | <u>\$1,775,240</u> | <u>\$1,682,001</u> |
| Plan fiduciary net position | | | | |
| Contributions - employer | \$62,202 | \$127,342 | \$120,394 | \$111,665 |
| Net investment income | 29,037 | 44,342 | 48,298 | 54,518 |
| Administrative expense | (404) | (154) | (326) | (277) |
| Benefit payments | (62,202) | (63,671) | (63,478) | (61,789) |
| Net change in plan fiduciary net position | <u>28,633</u> | <u>107,859</u> | <u>104,888</u> | <u>104,117</u> |
| Plan fiduciary net position - beginning | <u>828,345</u> | <u>720,486</u> | <u>615,598</u> | <u>511,481</u> |
| Plan fiduciary net position - ending (b) | <u>\$856,978</u> | <u>\$828,345</u> | <u>\$720,486</u> | <u>\$615,598</u> |
| Net OPEB liability - ending (a)-(b) | <u>\$1,015,001</u> | <u>\$952,913</u> | <u>\$1,054,754</u> | <u>\$1,066,403</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 45.78% | 46.50% | 40.59% | 36.60% |
| Covered payroll | \$730,419 | \$810,898 | \$799,061 | \$799,061 |
| Net OPEB liability as a percentage of covered payroll | 138.96% | 117.51% | 132.00% | 133.46% |

* Fiscal year 2018 was the first year of implementation.

**SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

**SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
Single-Employer Other Postemployment Defined Benefits Plan
Schedule of Contributions
Last Ten Fiscal Years***

| Fiscal Year Ended June 30, | 2021 | 2020 | 2019 | 2018 |
|---|--------------------|-----------------|-----------------|-----------------|
| Actuarially determined contribution | \$105,417 | \$105,417 | \$110,310 | \$110,310 |
| Contributions in relation to the actuarially determined contribution | <u>573,953</u> | <u>62,202</u> | <u>63,478</u> | <u>61,789</u> |
| Contribution deficiency (excess) | <u>(\$468,536)</u> | <u>\$43,215</u> | <u>\$46,832</u> | <u>\$48,521</u> |
| Covered payroll | \$837,082 | \$810,898 | \$799,061 | \$799,061 |
| Contributions as a percentage of covered payroll | <u>68.57%</u> | <u>7.67%</u> | <u>7.94%</u> | <u>7.73%</u> |

Notes to Schedule

Methods and assumptions used to determine contribution rates:

| Valuation Date | June 30, 2019 | June 30, 2019 | June 30, 2018 | June 30, 2018 |
|------------------------|---------------|---------------|---------------|---------------|
| Actuarial Assumptions: | | | | |
| Discount Rate | 7.28% | 7.28% | 7.28% | 7.28% |
| Payroll Growth | 3.25% | 3.25% | 3.25% | 3.25% |

* Fiscal year 2018 was the first year of implementation.

**SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

**SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Liability
Last 10 years***

| Measurement Date: | <u>6/30/2014</u> | <u>6/30/2015</u> | <u>6/30/2016</u> | <u>6/30/2017</u> | <u>6/30/2018</u> |
|---|------------------|------------------|------------------|------------------|------------------|
| District's proportion of the net pension liability (asset) | 0.06652% | 0.06780% | 0.06341% | 0.04631% | 0.03321% |
| District's proportion share of the net pension liability (asset) | \$2,052,688 | \$1,859,341 | \$2,025,825 | \$1,825,707 | \$1,251,581 |
| District's covered payroll | \$916,462 | \$972,275 | \$982,985 | \$984,244 | \$920,204 |
| District's proportionate share of the net position liability (asset) as a percentage of its covered payroll | 223.98% | 191.24% | 206.09% | 185.49% | 136.01% |
| District's fiduciary net position as a percentage of the total pension liability | 76.53% | 78.26% | 77.81% | 80.44% | 87.06% |
| Measurement Date: | <u>6/30/2019</u> | <u>6/30/2020</u> | | | |
| District's proportion of the net pension liability (asset) | 0.01856% | 0.00523% | | | |
| District's proportion share of the net pension liability (asset) | \$743,359 | \$568,698 | | | |
| District's covered payroll | \$983,989 | \$837,082 | | | |
| District's proportionate share of the net position liability (asset) as a percentage of its covered payroll | 75.55% | 67.94% | | | |
| District's fiduciary net position as a percentage of the total pension liability | 92.69% | 75.10% | | | |

* Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown.

**SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION**

**SOLANO COUNTY MOSQUITO ABATEMENT DISTRICT
Cost-Sharing Multiple Employer Defined Benefit Retirement Plan
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS**

| | <u>Fiscal Year 2014 - 2015</u> | <u>Fiscal Year 2015 - 2016</u> | <u>Fiscal Year 2016 - 2017</u> | <u>Fiscal Year 2017 - 2018</u> | <u>Fiscal Year 2018 - 2019</u> |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Actuarially determined contribution | \$239,925 | \$230,712 | \$192,741 | \$166,084 | \$128,640 |
| Contributions in relation to the actuarially determined contributions | <u>239,925</u> | <u>230,712</u> | <u>192,741</u> | <u>166,084</u> | <u>128,640</u> |
| Contribution deficiency (excess) | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |
| District's covered payroll | \$916,462 | \$972,275 | \$982,985 | \$984,244 | \$920,204 |
| Contributions as a percentage of covered payroll | 26.18% | 23.73% | 19.61% | 16.87% | 13.98% |
| Notes to Schedule | | | | | |
| Valuation date: | 6/30/2013 | 6/30/2014 | 6/30/2015 | 6/30/2016 | 6/30/2017 |
| | <u>Fiscal Year 2019 - 2020</u> | <u>Fiscal Year 2020 - 2021</u> | | | |
| Actuarially determined contribution | \$104,392 | \$139,787 | | | |
| Contributions in relation to the actuarially determined contributions | <u>104,392</u> | <u>139,787</u> | | | |
| Contribution deficiency (excess) | <u>\$0</u> | <u>\$0</u> | | | |
| District's covered payroll | \$983,989 | \$837,082 | | | |
| Contributions as a percentage of covered payroll | 10.61% | 16.70% | | | |
| Notes to Schedule | | | | | |
| Valuation date: | 6/30/2018 | 6/30/2019 | | | |

* Fiscal year 2015 was the 1st year of implementation, therefore only seven years are shown.

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