

**TURLOCK MOSQUITO
ABATEMENT DISTRICT**

**FINANCIAL REPORT WITH
INDEPENDENT AUDITORS' REPORT
THEREON**

JUNE 30, 2021

**TURLOCK MOSQUITO ABATEMENT DISTRICT
FINANCIAL REPORT
JUNE 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Turlock Mosquito Abatement District
Turlock, California

We have audited the accompanying financial statements of the governmental activities of each major fund of the Turlock Mosquito Abatement 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 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 each major fund of the Turlock Mosquito Abatement District as of June 30, 2021, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Turlock Mosquito Abatement District
Turlock, California

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, on pages 3-8 and 29-32, respectively, 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.

Fechter & Company,
Certified Public Accountants

A handwritten signature in cursive script that reads "Fechter & Company, CPAs".

Sacramento, California
October 18, 2021

**TURLOCK MOSQUITO ABATEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

MANAGEMENT'S DISCUSSION AND ANALYSIS

As Management of the Turlock Mosquito Abatement District (The District), this narrative overview and analysis reflects the District's financial activities for the fiscal year ending June 30, 2021. We recommend that the readers consider this information in conjunction with the financial statements as a whole.

FINANCIAL POSITION SUMMARY

Fund and government-wide financial statements are presented on pages 9-14.

The government-wide financial statements, the Statement of Net Position and the Statement of Activities, are prepared using the full accrual basis of accounting, much like a for-profit organization. These statements reflect inventory and capital investments of the District, as well as presentation of the finances of the District as a whole (rather than by funds).

Fund financial statements tell how these services were paid for as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements providing information about the District's two funds.

Notes to the financial statements provide additional information that is essential for a full understanding of the information provided in the basic financial statements. Required supplemental information consists of more detailed data on budget to actual revenues and expenditures and retirements fund schedule of funding progress.

Net position may serve, over time, as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$1,841,941 at the close of the fiscal year. The District's liabilities accounted for \$2,437,808 with the largest liability as the net pension liability of \$2,100,141.

The change in the District's assets over liabilities from last year's audit compared to this year's audit is \$312,512. This reflects the change in revenues, expenditures, and changes in fixed asset values.

The District's member contingency account in the Vector Control Joint Powers Agency (VCJPA) is designed to pay for unexpected self-insured losses and losses not covered under the VCJPA, such as cost associated with pollution remediation and lawsuits exceeding coverage limits for violations of the clean water act. This account has an ending account balance of \$257,256.

The District's ending fund balance increased \$156,858 from the previous fiscal year. The District's unrestricted fund balance increased from \$3,161,204 from the previous fiscal year to \$3,318,062 for fiscal year 2020/2021.

**TURLOCK MOSQUITO ABATEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

The District fully prefunded the District's OPEB liability in the California Employee Retiree Benefit Trust (CERBT). The District earned \$14,547.56 from investment earnings and incurred administrative expenses of \$300.67. This resulted in an ending balance of \$363,550.46 as of June 30, 2021. As part of the valuation process, the Board selected an amortization period of 20-years and to prefund the District's OPEB liability by contributing at least 100% of the Annual Required Contribution each year. The District continues to invest in CERBT asset allocation Strategy 3 with an annual return rate estimated at 6.12%.

Summary of Assets, Liabilities, and Fund Balances

	2021	2020
Assets		
Current and other assets	\$ 4,164,029	\$ 3,681,560
Capital assets, net	115,720	152,945
Total Assets	\$ 4,279,749	\$ 3,834,505
 Liabilities		
Current and other liabilities	\$ 2,439,900	\$ 2,305,076
Total Liabilities	\$ 2,439,900	\$ 2,305,076
 Net Position		
Invested in capital assets	115,720	152,945
Unrestricted net position	1,724,129	1,376,484
Total Net Position	1,839,849	1,529,429
 Total Liabilities and Net Position	\$ 4,279,749	\$ 3,834,505

As the District completed the year, its governmental funds (as presented on the reconciliation of the Statements of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds on page 13) reported a fund balance showing a net increase of \$156,858.

Summary of Revenues and Expenses

	2021	2020
Revenues	\$ 2,974,121	\$ 2,912,087
Operating expenses	2,817,263	2,702,031
Excess of revenues and expenses	\$ 156,858	\$ 210,056

**TURLOCK MOSQUITO ABATEMENT DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Significant Events

Fiscal year 2019-2020 brought many challenges. In 2020, the District had the earliest detection of West Nile virus on record – May 29th, 2020. Mosquito infection rate for West Nile virus was high throughout the season, although abundance was relatively normal until the very end of the season. The District ended the season with (15) human cases, the highest number of cases we have experienced since 2006. The late season increase in mosquito abundance was due to large numbers of *Aedes Melanimon* being observed around the San Joaquin River National Wildlife Refuge and along the Merced County border. These mosquitoes do not transmit West Nile virus, so the high infection rate observed is interesting and unexpected.

Invasive mosquito *Aedes aegypti* continued to spread throughout the District at a much more rapid rate than expected. The initial finding of *Ae. aegypti* was in Newman in 2019; in 2020, it was found at several locations in Turlock and Ceres. In all cases, the number of *Aedes aegypti* mosquitoes have been relatively low and haven’t resulted in many service requests; although, based on information from other districts in California, we expect this to change with time. Successfully controlling this mosquito will be a challenge and will require extensive efforts by District staff and the public. The Board authorized the purchase of an A-1 Super Duty Mist Blower that has been shown to be effective in controlling *Aedes aegypti* successfully over large areas in infested neighborhoods. Staff continues to be trained on control methods and equipment used in *Aedes aegypti* control. Management will continue to monitor the staff time devoted towards control of these mosquitoes to ensure that no deleterious effect occurs on our current control activities.

The District’s Aggressive Source Reduction program continues to be successful in managing the District’s costliest properties which also tend to be the properties breeding the most mosquitoes. Utilizing a Memorandum of Understanding (MOU) in which property owners assume the cost of mosquito control has seen District expenses and time spent servicing these properties go down. This program was developed knowing that invasive mosquitoes would eventually spread to Stanislaus County, so we needed to be prepared to spending more-and-more time including these mosquitoes as part of our control program. Typically, when a property owner signs an MOU as part of our Aggressive Source Reduction Program, the amount of work required goes down dramatically or disappears completely.

In 2021, the District recouped the following in costs:

Weed Control Program	\$58,167
ASR/MOU Program	\$16,387
Abated Properties	\$4,073
TOTAL	\$78,627

Finally, the ongoing COVID-19 pandemic has created immense challenges for all workplaces in 2020. The District was able to manage employees being out due to COVID-19 infection, possible exposure, care for a family member, etc. No work-related cases of COVID-19 have been reported and the District developed and trained employees regarding safe workplace practices.

The following are policy issues that continue to have a significant impact on District programs:

**TURLOCK MOSQUITO ABATEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Clean Water Act & NPDES Permit: In recent years, there have been a few lawsuits involved with the release of pesticides or their residues (termed “pollutants”) into waters of the United States (WOTUS). On November 27, 2006, the EPA issued a final rule clarifying two specific circumstances in which a Clean Water Act (CWA) permit is not required to apply pesticides to or around WOTUS. They are: 1) the application of pesticides directly to water to control pests; and 2) the application of pesticides to control pests that are present over or near water, where a portion of the pesticides will unavoidably be deposited to the water to target the pests. The action put into effect a rule that confirms EPA’s past operating approach that pesticides legally registered under FIFRA for application to or near aquatic environments, and legally applied to control pests at those sites, are not subject to NPDES permit requirements.

In 2008, this rule was challenged by several environmental groups and the U.S. Sixth Circuit court of Appeals held that this rule was not a proper interpretation of the Clean Water Act. The Sixth Circuit ruled that a CWA permit would be required for all biological and chemical pesticide applications that leave a residue in water. After a couple lengthy stays granted by the court, this mandate went into effect October 31, 2011. No further legal appeals are expected, so any further help regarding this matter would be legislative in nature. Currently, a legislative fix for this issue is contained in both versions of the Farm Bill in the House and Senate. It is hoped that the final Farm Bill is passed containing language removing this duplicative regulation.

The District’s Water Quality Order 2016-0039-DWQ (General Permit No. CAG990004) will expire June 30, 2021.

Invasive Species: California currently has (2) new invasive species within its borders, the Yellow Fever mosquito (*Aedes aegypti*) and the Asian Tiger mosquito (*Aedes albopictus*). Both of these mosquitoes are known to transmit diseases such as: Zika, Yellow Fever, Dengue Fever, and Chikungunya virus. At one time, these mosquitoes and the viruses they transmit were limited to more tropical environments but increasing temperatures have been a catalyst for dispersal worldwide. West Nile virus was once a stable disease in Northern Africa; however, in only 10-15 years it is now found globally. Diseases such as Dengue and Chikungunya are on the move and may follow the path of West Nile virus across the United States – this becomes much more possible if the vector mosquitoes become established in California.

In 2014, the District began surveillance activities for *Aedes aegypti*. In 2017, the District was notified that a large population of *Aedes aegypti* were found in the neighboring county of Merced (city of Merced). The District was approved for a grant in 2017 from the California Department of Public Health to help fund the surveillance and detection of *Ae. aegypti* within the District (\$26,000). Officials from the California Department of Public Health have notified the District that more monies may become available later on in the year and the District plans to apply. We are hoping that the close proximity of this recent finding in Merced may make the District eligible for increased funding.

In 2018, *Ae. aegypti* were found in Los Banos within Merced County. The District received \$41,000 in 2018, as part of the CDC/California Department of Health Invasive Species grant to help with additional monitoring and surveillance. In 2019, the Yellow Fever mosquito was found in Newman and in 2020, Turlock and Ceres.

**TURLOCK MOSQUITO ABATEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

The appearance of this mosquito may have a large and fundamental impact on the District and its operations. It has been shown that the current control protocols we use against native mosquitoes will not be effective against a mosquito such as *Aedes aegypti* which breeds in very close association with humans in backyard sources. District personnel have seen firsthand the frustration in arranging access to properties to inspect and treat swimming pools.

In preparation for the arrival of the Yellow Fever mosquito, the Board elected to create a committed fund balance account established at 8% (1-month) of the District's Adjusted Operating Expenses with a maximum balance set at 16% (2-months) of the District's Adjusted Operating Expenses. The District will begin to utilize these funds in FY 2019-2020 to ramp up for the control of this mosquito now that the mosquito has been found within the District.

Pesticide Resistance: The issue of chemical resistance has become a very hot topic in California, especially with regulatory and legislative concerns limiting the number of products available for use and where these products can be applied. In 2014, the California Department of Public Health adopted a new program to test for the presence of the *kdr* mutation gene in mosquitoes. Mosquitoes with this mutation are resistant to pyrethrins which is the chemical being used by the District to control adult mosquitoes. After sending in hundreds of mosquitoes for testing, the results indicated that the presence of this gene mutation was found in virtually 100% of the wild mosquito population. Additional related testing indicated that some mosquito populations are also exhibiting some resistance to larvicide products containing methoprene. Methoprene mimics a hormone found naturally in mosquitoes which prevent them from developing into adults and keeps them in the aquatic stage.

Review of the District's application records, it became apparent that the District had not been properly rotating chemicals and had a history of treating at the lowest label rates (or lower) thereby increasing the rate of resistance in wild mosquito populations. In 2014, the Insecticide Resistance Guidelines were implemented which provided staff information regarding resistance, how it develops, and how to combat it by rotating chemical use for larvicides and adulticides.

Starting in 2015, the District began using adulticide aerial applications using a different adulticide chemical with the active ingredient naled. Naled is in the organophosphate chemical family and has a different mode of action than pyrethrin based chemicals. By rotating this chemical in at various times of the year, we are hoping to target mosquitoes that may be more resistant to pyrethrin based chemicals and remove them from the population. In addition, staff has begun to rotate larvicides using chemicals with different modes of action at various times of the year to prevent mosquitoes from developing resistance to repeated use of one type of chemical.

Currently, the District is cooperating with Anton Cornel and the Centers of Excellence for Vector-Borne Disease to study resistance to other products the District commonly uses. This information will help the District make choices not only more effective for control but more efficient from a cost perspective.

**TURLOCK MOSQUITO ABATEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Land	\$ 7,937	\$ 7,937
Structures & improvements	315,235	315,235
Motor vehicles	286,961	495,579
Office and lab equipment	121,096	121,096
Spray equipment	244,076	244,076
Operations and safety	4,489	19,912
	<u>979,794</u>	<u>1,203,835</u>
Less Accumulated Depreciation	<u>(864,074)</u>	<u>(1,050,890)</u>
Capital Assets, Net	<u>\$ 115,720</u>	<u>\$ 152,945</u>

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to David Heft, Manager, Turlock Mosquito Abatement District, 4412 N. Washington Road, Turlock, CA 95380.

TURLOCK MOSQUITO ABATEMENET DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS

Cash and investments	\$ 2,636,596
Accounts receivable	15,145
Inventory	434,076
	3,085,817
 Total current assets	 3,085,817
 Deposits - non-current	 257,256
Net OPEB asset	109,772
Capital assets, net	115,720
	115,720
 TOTAL ASSETS	 3,568,565

DEFERRED OUTFLOWS OF RESOURCES

Deferred OPEB - Note 10	12,069
Deferred pensions - Note 11	699,115

LIABILITIES

Accounts payable and accrued expenses	25,011
 Long-term liabilities:	
Net pension liability	2,100,141
Compensated absences	70,914
	70,914
 TOTAL LIABILITIES	 2,196,066

DEFERRED INFLOWS OF RESOURCES

Deferred OPEB - Note 10	130,251
Deferred pensions - Note 11	113,583
	113,583

NET POSITION

Invested in capital assets, net of related debt	115,720
Unrestricted	1,724,129
	1,724,129
 NET POSITION	 \$ 1,839,849

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

**TURLOCK MOSQUITO ABATEMENT DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	
Governmental Activities:					
Public Safety	\$ 2,663,701	\$ -	\$ -	\$ -	\$ (2,663,701)
Total Governmental Activities	<u>\$ 2,663,701</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,663,701)</u>

General Revenues

Property taxes and assessments	2,707,119
Other governmental revenues	155,288
Interest income	29,893
Miscellaneous	<u>81,821</u>
Total general revenues	<u>2,974,121</u>
Change in net position	310,420
Net position at beginning of fiscal year	<u>1,529,429</u>
Net position at end of fiscal year	<u><u>\$ 1,839,849</u></u>

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

**TURLOCK MOSQUITO ABATEMENT DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021**

ASSETS	<u>General Fund</u>
Cash and investments	\$ 2,636,596
Accounts receivable	15,145
Inventory	<u>434,076</u>
Total current assets	<u>3,085,817</u>
Deposits - non-current	<u>257,256</u>
TOTAL ASSETS	<u><u>\$ 3,343,073</u></u>
LIABILITIES	
Accounts payable and accrued expenses	<u>\$ 25,011</u>
Total liabilities	<u>25,011</u>
FUND BALANCES	
Fund balance:	
Non-spendable	691,332
Assigned for contingencies/public health emergency	323,278
Assigned for compensated absences	56,530
Assigned for invasive species	136,578
Assigned for operations	1,154,433
Assigned for capital replacement	351,132
Unassigned	<u>604,779</u>
Total fund balance	<u>3,318,062</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 3,343,073</u></u>

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

**TURLOCK MOSQUITO ABATEMENT DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Total fund balances - governmental funds	\$ 3,318,062
<p>In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation.</p>	
Capital assets at historical cost, net	115,720
<p>Deferred outflows of resources are not reported in the Statement of Net Position</p>	711,184
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:</p>	
Deferred inflows of resources	(243,834)
Net pension liability	(2,100,141)
Net OPEB asset	109,772
Compensated absences	<u>(70,914)</u>
Net position of governmental activities	<u><u>\$ 1,839,849</u></u>

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

**TURLOCK MOSQUITO ABATEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>General Fund</u>
REVENUES	
Property taxes and assessments	\$ 2,707,119
Other governmental revenues	155,288
Interest income	29,893
Miscellaneous	<u>81,821</u>
Total revenues	2,974,121
EXPENDITURES	
Current:	
Salaries and benefits	1,700,792
Services and supplies	1,116,471
Capital outlay	<u>-</u>
Total expenditures	<u>2,817,263</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>156,858</u>
FUND BALANCES, BEGINNING OF YEAR	<u>3,161,204</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 3,318,062</u></u>

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

**TURLOCK MOSQUITO ABATEMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO 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 of Revenues, Expenditures, and Change in Fund Balances, 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	\$	156,858
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

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

Capital outlay expenditures are therefore added back to fund balances		-
Depreciation expense not reported in governmental funds		(37,225)

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):

Change in OPEB liability		44,424
Change in accrued pensions		148,455
Changed in compensated absences		(2,092)
		(2,092)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	310,420
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The accompanying notes are an integral part of these financial statements.

**TURLOCK MOSQUITO ABATEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Reporting Entity

The Turlock Mosquito Abatement District (the “District”) was formed in January 1946 to protect the public from mosquito borne diseases and the discomfort caused by mosquito bites. Originally, the District controlled mosquitoes within an area of 342 square miles; today, the District controls mosquitoes within an area of 966 square miles. The governing body is made up of appointed members, five from the cities and three from the county. The eight-person board represents the cities of Newman, Patterson, Turlock, Hughson, Ceres, and unincorporated areas within the County of Stanislaus. The District operates under the California Health and Safety Code, Department of Health Services Vector Control Program and Local Agencies Engaged in Mosquito and Vector Control. Stanislaus County is responsible for the District's cash. The County collects and apportions the taxes that are the main source of revenue for the district. All disbursements, other than petty cash, are made using checks issued by Stanislaus County.

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 which includes 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.

**TURLOCK MOSQUITO ABATEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 collectible 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.

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 funds present increases (i.e., revenues) and decreases (i.e., expenditures) in net current assets.

**TURLOCK MOSQUITO ABATEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

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 and other revenues 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 the County of Stanislaus. 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.

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. Substantially all inventory is purchased from one supplier.

Capital Assets

Capital assets are those purchased or acquired with an original cost of \$1,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets’ lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over a period of 5-45 years.

Compensated Absences

The current accumulated unpaid employee vacation benefits are reported as a liability in the General Fund. The long-term unpaid employee vacation benefits are reported as a liability in the statement of net position. Vacation benefits are recorded as expenditures in the period that vacation leaves are taken.

Sick leave benefits are accumulated without limit for each employee. The employees do not gain a vested right to accumulated sick leave. Accordingly, sick pay is charged to expenditures when taken. No provision has been made in the financial statements for unused sick leave.

**TURLOCK MOSQUITO ABATEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reserved Fund Balances

Reservations or restrictions 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. It is the District's policy to first use restricted resources, when available.

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.

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 its use by District legislation or external restrictions by creditors, grantors, laws, or regulations of other governments.

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.

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.

**TURLOCK MOSQUITO ABATEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balances

In February 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes accounting and financial reporting standards for all governments that report governmental funds. Under GASB 54, fund balance 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:

- Nonspendable 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 are 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.

NOTE 2: CASH AND INVESTMENTS

The District maintains substantially all of its cash in the Stanislaus County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost. The fair market value of the pool as of the above date is shown by the pools sponsor, the County of Stanislaus, which produces a comprehensive annual financial report. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool. The County is restricted by Government Code Section 53635, pursuant to Section 53601, to invest in time deposits, U.S. Government securities, state registered warrants, notes or bonds, State Treasurer’s investment pool, bankers’ acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Information regarding the amount of dollars invested in derivatives with the county treasury pool was not available.

**TURLOCK MOSQUITO ABATEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3: EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN)

Plan Description

The District contributes to the California Public Employees Retirement System (CalPERS), an agent multiple-employer public employee defined benefit pension plan that acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and District ordinance. Copies of the CalPERS annual financial report may be obtained from the executive office at 400 P Street, Sacramento, CA 95814.

Employee and Employer Contribution Obligations

All full-time District employees are eligible to participate in CalPERS. The Plan requires an employee contribution of 7% of annual covered salary. The District is required to contribute the remaining amounts necessary to fund the benefits for its members, using the actuarial basis recommended by CalPERS actuaries and actuarial consultants and adopted by the Board of Administration. The contribution requirements of plan members and the District are established and may be amended by CalPERS. Total covered payroll for the year was \$887,008. The employer contributions rates of annual covered payroll are as follows:

<u>Tier</u>	<u>Non-Safety</u>
Tier 1	10.484%
Tier 2	8.794%
PEPRA	7.730%

In addition, the District also makes unfunded liability payments annually to help make up for the shortfall in the pension plan. This is also actuarially determined. The following represents the unfunded liability payments made during the 2021 fiscal year:

<u>Tier</u>	<u>Non-Safety</u>
Tier 1	\$ 132,394
Tier 2	2,223
PEPRA	1,104

Funding Status and Progress

At June 30, 2021, the District reported a liability of \$2,100,140 in the Statement of Net Position for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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 plan relative to the projected contributions of all Pension Plan participants, which was actuarially determined.

**TURLOCK MOSQUITO ABATEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

**NOTE 3: EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) –
(continued)**

Funding Status and Progress (continued)

For the fiscal year ended June 30, 2021, the District recognized pension expense of \$314,753 in its Government-Wide financial statements. Pension expense represents the change in the net pension liability during the measurement period, adjusted for actual contributions.

Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions. Total pension liability represents the portion of the actuarial present value of projected benefit payments attributable to past periods of service for current and inactive employees.

- Discount Rate/Rate of Return – 7.15%, net of investment expense
- Inflation Rate – 2.50%
- Salary increases – Varies by Entry Age and Service – up to 3%
- COLA Increases – up to 2.75%
- Post-Retirement Mortality – Derived using CalPERS’ Membership Data for all Funds

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2018.

The long-term expected rate of return on pension plan investments (7.15%) was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Real Return Years 1-10	Real Return Years 11+
Global Equity	50.0%	4.80%	5.98%
Fixed Income	28.0%	1	2.62
Inflation Assets	0%	0.77	1.81
Private Equity	8.0%	6.3	7.23
Real Estate	13.0%	3.75	4.93
Liquidity	1.0%	0	(0.92)

**TURLOCK MOSQUITO ABATEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3: EMPLOYEES RETIREMENT PLAN (DEFINED BENEFIT PENSION PLAN) – (continued)

Actuarial Assumptions (continued)

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension fund's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. In theory, the discount rate may differ from the long-term expected rate of return discussed previously. However, based on the projected availability of the pension fund's fiduciary net position, the discount rate is equal to the long-term expected rate of return on pension plan investments, and was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents 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 (6.15%) or 1-percentage point higher (8.15%) 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	\$ 3,135,228	\$ 2,100,140	\$ 1,244,880

NOTE 4: CAPITAL ASSETS

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

	Balance July 1, 2020	Additions	Disposals & Adjustments	Balance June 30, 2021
Land	\$ 7,937	\$ -	\$ -	\$ 7,937
Structures and improvements	315,235	-	-	315,235
Motor vehicles	495,579	-	(208,618)	286,961
Office and lab equipment	121,096	-	-	121,096
Spray equipment	244,076	-	-	244,076
Operations and safety	19,912	-	(15,423)	4,489
	1,203,835	-	(224,041)	979,794
Less Accumulated Depreciation	(1,050,890)	(37,225)	224,041	(864,074)
Capital Assets, Net	\$ 152,945	\$ (37,225)	\$ -	\$ 115,720

**TURLOCK MOSQUITO ABATEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4: CAPITAL ASSETS (continued)

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 \$37,225 for the year ended June 30, 2021.

NOTE 5: VECTOR CONTROL JOINT POWERS AGREEMENT

The District is a signatory of a Vector Control Joint Powers Agency Agreement (VCJPA). This agreement is a joint power agreement as authorized by Section 6500 and following of the California Government Code. The VCJPA arranges for and provides insurance for its member districts; it is not a component unit of the District. This VCJPA is accountable for its own fiscal matters. The District had \$257,256 held in trust by the agency at June 30, 2021.

NOTE 6: WORKERS' COMPENSATION

The VCJPA provides workers' compensation coverage for the District in excess of the District's retained limit of \$25,000 up to \$500,000 per occurrence. The VCJPA is also a member of an excess risk-sharing pool (LAWCX) that provides coverage for losses that exceed the \$500,000 per occurrence limit up to the statutory limit.

NOTE 7: RISK MANAGEMENT

Employment Practices Liability – The VCJPA provides employment practices liability coverage to the District up to \$2,000,000 in coverage for employment practices liability type claims. The first \$25,000 is provided by the VCJPA with the District retaining its own self-insured retention of \$10,000. Coverage between \$25,000 and \$2,000,000 is provided by an excess risk-sharing pool (ERMP).

Commercial General Liability, Auto Liability, Errors, and Omissions – The VCJPA provides coverage to the District for bodily injury, property damage, personal injury, and public officials' liability through pooled sharing of losses. The VCJPA provides the District with \$1,000,000 per occurrence with the District retaining a portion of each loss at \$10,000. The VCJPA is also a member of an excess risk-sharing pool (CARMA) that provides coverage for losses that exceed the \$1,000,000 per occurrence limit up to \$14,000,000.

Property – The VCJPA provides coverage for real and personal property from the District's deductible of \$500, up to \$10,000 per loss. The excess provider (PEPIP) provides coverage in excess of \$10,000 up to \$1,000,000,000. This coverage provides replacement cost for the District's scheduled property.

Boiler & Machinery – The PEPIP portion of the program also provides coverage up to \$100,000,000 of repair or replacement cost with a deductible of \$2,500 and up for the sudden and accidental breakdown of boiler and machinery equipment.

**TURLOCK MOSQUITO ABATEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7: RISK MANAGEMENT (continued)

Auto Physical Damage – The VCJPA also provides coverage for the District’s vehicles up to a maximum of \$35,000 per vehicle, unless otherwise declared. The District’s deductible is \$500 per accident, per vehicle.

Group Fidelity – The District, along with other VCJPA members, has purchased coverage up to \$1,000,000 with a \$15,000 deductible per loss.

Business Travel Accident – The District has purchased coverage up to \$150,000 per accident with no deductible.

NOTE 8: LONG-TERM LIABILITIES

A schedule of changes in long-term liabilities for the year ended June 30, 2021, is shown below:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Compensated absences	\$ 68,822	\$ 2,092	\$ -	\$ 70,914
Net OPEB liability (asset)	(94,941)	-	(14,831)	(109,772)
Net pension liability	1,937,887	162,254	-	2,100,141
Total	<u>\$ 1,911,768</u>	<u>\$ 164,346</u>	<u>\$ (14,831)</u>	<u>\$ 2,061,283</u>

NOTE 9: OPERATING LEASES

The District is liable for operating leases providing for the following future minimum lease payments, as follows:

Year Ending June 30,	Amount
2022	93,350
2023	68,918
2024	54,904
2025	33,724
2026	8,968
Total	<u>\$ 259,864</u>

Total rent expense for the year was \$85,427.

**TURLOCK MOSQUITO ABATEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10: POST-RETIREMENT BENEFITS

Plan Description

The District provides post-employment health care benefits to certain employees who are eligible to retire with CalPERS and have completed a minimum of 10 years of employment with the District. For the year ended June 30, 2021, 5 retirees received health benefits. Expenditures for post-employment health care benefits are recognized as the premiums are paid. During the year ended June 30, 2021, expenditures of \$(44,424) were recognized for post-employment health care benefits.

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 in the amount of \$12,069. For reporting purposes, this amount is capitalized as a deferred outflow of resource as the measurement period for the liability at June 30, 2020.

Employees Covered by Benefit Terms

At the OPEB liability measurement date of June 30, 2021, the following employees were covered by the benefit terms:

- Active employees – 12
- Retirees – 5

Total OPEB liability

The District's total OPEB liability was measured as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	3.00%
Medical cost trend	.5% to 5%
Discount rate	5.35%

**TURLOCK MOSQUITO ABATEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10: POST-RETIREMENT BENEFITS (continued)

2021 Fiscal Year OPEB expense breakdown

	2021
Total OPEB liability - 6/30/2020	\$ (94,941)
Investment earnings	(27,159)
Administrative costs	213
Service cost	13,798
Interest	18,158
Employer contributions	(19,841)
Net change in total OPEB liability	(14,831)
 Total OPEB liability (asset) - ending	 \$ (109,772)

Sensitivity of the District's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB 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 discount rate:

	1% Decrease 4.45%	Discount Rate 5.45%	1% Increase 6.45%
Net OPEB plan liability	\$ (71,883)	\$ (109,772)	\$ (141,914)

Sensitivity of the District's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB 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 discount rate:

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB plan liability	\$ (148,395)	\$ (109,772)	\$ (63,379)

**TURLOCK MOSQUITO ABATEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10: POST-RETIREMENT BENEFITS (continued)

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

For the year ended June 30, 2021 the District recognized OPEB expense of \$(44,424). OPEB expense represents the change in the net OPEB liability during the measurement period, adjusted for actual contributions and the deferred recognition of changes in investment gain/loss and actuarial assumptions. At June 30, 2021, the District reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings	\$ -	\$ -
Change in assumptions	-	44,777
Differences between projected and actual experience	-	85,474
Contributions subsequent to measurement date	12,069	-
	\$ 12,069	\$ 130,251

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2022	\$ (32,022)
2023	(32,603)
2024	(25,486)
2025	(24,647)
2026	(15,493)
Total	\$ (130,251)

NOTE 11: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Pursuant to GASB Statement No. 63, the District recognized deferred outflows of resources in the government-wide and proprietary fund statements. These items are a consumption of net position by the District that is applicable to a future reporting period.

The District has one item that is reportable on the Government-Wide Statement of Net Position as Deferred Outflows of Resources which is related to pensions that are the PERS premiums for the 2020 fiscal year which will be recognized in a subsequent reporting period. The total for this is \$463,209. These were the employer contributions for the 2021 fiscal year.

**TURLOCK MOSQUITO ABATEMENT DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 11: DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (continued)

The District is also reporting deferred outflows of resources relating to the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	\$ -	\$ 14,979
Differences between projected and actual experience	108,226	-
Differences between projected and actual investment earnings	62,388	-
Contribution differences	-	98,604
Change in employer's proportion	65,292	
Contributions subsequent to measurement date	463,209	-
	<u>\$ 699,115</u>	<u>\$ 113,583</u>

The above amounts will be amortized over a 3.8 year period other than the contributions subsequent to measurement date.

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

Year Ending June 30,	Amount
2022	\$ 3,987
2023	47,126
2024	41,286
2025	29,923
Total	<u>\$ 122,322</u>

NOTE 12: SUBSEQUENT EVENTS AND CONTINGENCIES

The date of management review is through September 30, 2021. No events occurred outside the ordinary scope of operations that materially impacted the District's financial statements that would require adjustment or recognition at June 30, 2021.

In January 2020, the virus SARS-CoC-2 was transmitted to the United States from overseas sources. This virus, responsible for the Coronavirus disease COVID-19 has proven to be extremely virulent with transmission rates as yet unknown. The economic impact in the State of California as yet has not been determined and therefore any impact on the District is not yet known.

REQUIRED SUPPLEMENTARY INFORMATION

**TURLOCK MOSQUITO ABATEMENT DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		Actual	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
REVENUES				Positive (Negative)
Property taxes and assessments		\$ -	\$ 2,707,119	\$ 2,707,119
Other governmental revenues		-	155,288	155,288
Interest income		-	29,893	29,893
Miscellaneous		-	81,821	81,821
Total revenues	-	-	2,974,121	2,974,121
EXPENDITURES				
Current:				
Salaries and benefits		-	1,700,792	(1,700,792)
Services and supplies		-	1,116,471	(1,116,471)
Capital outlay		-	-	-
Total expenditures	-	-	2,817,263	(2,817,263)
EXCESS OF REVENUES (UNDER)				
EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,858</u>	

See notes to required supplementary information.

**TURLOCK MOSQUITO ABATEMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021**

Note 1: Budgetary Basis of Accounting

Budgets for the operating fund are prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected; expenditures are budgeted in the year that the applicable warrant requisitions are expected to be issued. The budget and actual financial statements are reported on the above basis, with no material differences between them.

Annual budget requests are submitted by the District's staff to the District Board of Directors for preliminary review and approval. After public hearing, a final budget is approved by the District Board of Directors, with a resolution adopting said budget. Copies of the approved budget are sent to all required agencies.

**TURLOCK MOSQUITO ABATEMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
POST-EMPLOYMENT BENEFITS
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability - beginning	\$ (94,941)	\$ 58,372	\$ 52,733	\$ 89,893
Investment earnings	(27,159)	(23,925)	(17,144)	(21,396)
Amortization of deferred outflows		-	-	(12,875)
Change of assumptions		(58,161)	-	(12,527)
Administrative costs	213	84	671	-
Service cost	13,798	15,997	15,493	15,763
Interest	18,158	28,146	26,174	27,474
Experience change		(104,556)	-	(33,599)
Employer contributions	(19,841)	(10,898)	(19,555)	-
Net change in total OPEB liability	<u>(14,831)</u>	<u>(153,313)</u>	<u>5,639</u>	<u>(37,160)</u>
Total OPEB liability - ending	<u>\$ (109,772)</u>	<u>\$ (94,941)</u>	<u>\$ 58,372</u>	<u>\$ 52,733</u>
Covered-employee payroll	\$ 874,389	\$ 763,541	\$ 763,541	\$ 801,777
Total OPEB liability as a percentage of covered payroll	-12.554%	-12.434%	7.645%	6.577%
Plan fiduciary net position as a percentage of the total OPEB liability	131.67%	129.30%	87.01%	87.34%
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

**TURLOCK MOSQUITO ABATEMENT DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION - PENSION
FOR THE YEAR ENDED JUNE 30, 2021**

Turlock Mosquito Abatement District – Schedule of the District’s proportionate share of the Net Pension Liability:

Last 10 Fiscal Years*:

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
District's proportion of the net pension liability	Varies by plan	0.04632%	0.04422%	0.04542%	0.04694%	0.04839%	0.04979%
District's proportionate share of the net pension liability	\$ 1,100,310	\$ 971,914	\$ 1,536,174	\$ 1,790,413	\$ 1,769,180	\$ 1,937,887	\$ 2,100,140
District's covered employee payroll	731,429	731,429	804,699	801,344	837,591	860,330	887,008
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	150.43%	132.88%	190.90%	223.43%	211.22%	225.25%	236.77%
Plan Fiduciary net position as a percentage of the total pension liability	83.03%	84.64%	76.55%	74.62%	75.57%	74.15%	73.00%

* Amounts presented above were determined as of 6/30.
Additional years will be presented as they become available.

CALPERS - Schedule of District Contributions

Last 10 Fiscal Years*:

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Actuarially determined contribution	\$ 82,444	\$ 75,357	\$ 108,772	\$ 121,571	\$ 142,931	\$ 160,430	\$ 183,552
Total action contribution	(82,444)	(75,357)	(108,772)	(121,571)	(142,931)	(160,430)	(183,552)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 731,429	\$ 731,429	\$ 804,699	\$ 801,344	\$ 837,591	\$ 860,330	\$ 887,008
Contributions as a percentage of covered employee payroll	11.27%	10.30%	13.52%	15.17%	17.06%	18.65%	20.69%

**TURLOCK MOSQUITO
ABATEMENT DISTRICT**

MANAGEMENT REPORT

FOR THE YEAR ENDED JUNE 30, 2021

TURLOCK MOSQUITO ABATEMENT DISTRICT

Management Report
For the Year Ended June 30, 2021

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Board of Directors of the
Turlock Mosquito Abatement District
Turlock, California

In planning and performing our audit of the financial statements of the Turlock Mosquito Abatement District for the year ended June 30, 2021, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that errors or irregularities in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We will review the status of these comments during our next audit engagement. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing any changes to your control structure. We thank the District's staff for its cooperation on this audit.

Fechter & Company,
Certified Public Accountants



October 18, 2021
Sacramento, California

TURLOCK MOSQUITO ABATEMENT DISTRICT
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The Auditor's Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 30, 2021, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the District financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Internal Control Related Matters

In any smaller entity, whether private enterprise or a governmental agency, the lack of segregation of duties can present potential issues in regards to the perpetuation and concealment of fraud. Even with a perfect segregation of duties fraud can be perpetuated and concealed. The District can perform some specific control procedures to help reduce the risk of fraud, however. Some of the controls would include:

- Having someone independent of the bank reconciliation function review the bank statements on a monthly basis.
- Examining financial statements on a monthly basis at the management and department levels.
- Examining a budget to actual report on a frequent basis.
- Comparing the financial statements on a detailed level to the prior year on a frequent basis.

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- Having someone independent of the payroll process review payroll on a bi-weekly basis, checking for accuracy of pay rates, paid time off recorded, etc.
- Verifying that a second person is approving all disbursement activity and that an individual independent of the accounting function is signing checks and asking questions about invoices presented for payment.
- Frequently displaying “professional skepticism” when considering staff responses on District finances.

California Government Code Section 12422.5 requires the State Controller’s office to develop internal control guidelines applicable to each local agency by January 1, 2015. The intent of the legislation is to assist local agencies in establishing a system of internal control to safeguard assets and prevent and detect financial errors and fraud. To this end, the State Controller’s Office has produced a draft of control guidelines for local Agencies. As the District contemplates changes to its system of internal control, we advise in utilizing these guidelines when developing internal procedures to assist with your internal control processes.

The State Controller’s office has defined internal controls into five components that work together in an integrated framework. Their guidelines were adopted from the definitions and descriptions contained in *Internal Control – Integrated Framework*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The components are:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring Activities

The objective of *control environment* is the set of standards, processes, and structures that provided the basis for carrying out internal control across the entity. The governing board and management establish the “tone at the top” regarding the importance of internal control, including expected standards of conduct which then cascade down through the various levels of the organization and have a strong effect on the overall system of internal control.

A District’s *Risk Assessment* process includes how management identifies risks (including fraud risk) relevant to the preparation and fair presentation of the financial statements in accordance with the District’s applicable financial reporting framework. In addition, this would also involve areas of business and operational risk which could potentially affect the District’s finances and operations on an ongoing basis.

Risks relevant to reliable financial reporting include external and internal events, as well as transactions or circumstances that may occur and adversely affect a local government’s ability to initiate, authorize, record, process, and report financial data consistent with the assertions of management.

The District’s risk assessment process is an extremely important activity the board and management should undertake. Every organization, public or private, faces business risks on a day to day basis.

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Identifying those risks and then acting on them in a timely manner may prevent future problems from becoming completely unmanageable.

Management should consistently attempt to identify risks that exist and then present those risks to the board for action. It is impossible for us to identify every potential risk that exists but either way, management and the board should proactively attempt to identify risks that could adversely affect the District's operations.

Control Activities are in reference to establishing policies and procedures that achieve management directives and respond to identified risks in the internal control system. These are specific procedures designed to perform a secondary review of internal processes that will allow for segregation of duties and a management level review of processed transactions.

Information and Communication are the District's methods of identifying what information is relevant to present to management and the board to assist the District in making the correct decisions. It also is in reference to the District's internal processes of gathering and summarizing that information.

Monitoring involves evaluating the effectiveness of controls on an on-going basis and taking remedial actions when necessary and when identified by the other control procedures in place. On-going monitoring activities often are built into the normal recurring activities of a local government and include regular management and supervisory activities.

There is no catch-all for finding all instances of fraud within any entity, whether public or private. One of the key factors in helping prevent fraud is to encourage ethical behavior at all levels of the organization, i.e., "tone at the top". Another key would be to note instances of abnormal behavior of finance or accounting staff when questioned about District financial matters.

The District should remember that they have outside resources available in the case of fraud – they are able to contact District auditor, their attorney, or county auditor-controller should anyone feel there is a chance of fraud or abuse.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the District's financial reporting process (that is, cause future financial statements to be materially misstated). The following audit adjustments, in our judgment, indicate matters that could have a significant effect on the District's financial reporting process:

- Posting of all GASB 34 entries on behalf of the district
- Reconciling beginning fund balances
- Recording GASB 68/71 adjustments on behalf of the District
- Accruing year-end accounts payable
- Recording the change in inventory

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Disagreements with Management

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

Consultations with Other Independent Auditors

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

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

Difficulties Encountered in Performing the Audit

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