

**PLACER MOSQUITO AND
VECTOR CONTROL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS,
MANAGEMENT'S DISCUSSION AND ANALYSIS,
FINANCIAL STATEMENTS AND REQUIRED
SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**



Certified Public Accountants.

**PLACER MOSQUITO AND VECTOR CONTROL DISTRICT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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Board of Trustees
Placer Mosquito and Vector Control District
Roseville, California

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities and the major fund of the Placer Mosquito and Vector Control District (District), as of and for the fiscal year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 major fund of the District as of June 30, 2011, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A to the financial statements, effective July 1, 2010, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress – other postemployment benefits plan and schedule of revenues, expenditures and changes in fund balance – budget and actual, 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.

Macie Mini & O'Connell LLP

Sacramento, California
April 12, 2012

**PLACER MOSQUITO AND VECTOR CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

As management of the Placer Mosquito and Vector Control District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with the District's basic financial statements, which begin on page 9.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$3,728,583 (net assets).
- As of the close of the current fiscal year, the District's governmental fund reported ending fund balance of \$2,284,893.
- The District had program and general revenues of \$3,366,363 and program expenses of \$3,834,071 for the fiscal year ended June 30, 2011.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements report on the function of the District that is principally supported by intergovernmental revenues. The District's function is to control mosquitoes in order to increase the quality of life and decrease the risk of disease transmission in western Placer County. This is funded primarily with benefit assessments.

The government-wide financial statements can be found on pages 9 and 10 of this report.

**PLACER MOSQUITO AND VECTOR CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental funds and *governmental activities*. The governmental fund financial statements can be found on pages 11 through 14 of this report.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 15 through 27 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$3,728,583 at the close of the most recent fiscal year.

The District has capital assets (e.g. structures and equipment). Investments in capital assets are not in spendable form and therefore are not available to provide future program services. The unrestricted net assets of the District are available for future use to provide program services.

**PLACER MOSQUITO AND VECTOR CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

District's Net Assets

	FY 2011	FY 2010	Increase/ Decrease %
Current and other assets	\$ 2,557,102	\$ 3,153,759	-18.9%
Capital assets, net	6,056,829	6,199,890	-2.3%
Total assets	<u>8,613,931</u>	<u>9,353,649</u>	<u>-7.9%</u>
Current and other liabilities	259,697	272,516	-4.7%
Long-term liabilities	4,625,651	4,884,842	-5.3%
Total liabilities	<u>4,885,348</u>	<u>5,157,358</u>	<u>-5.3%</u>
Invested in capital assets, net of related debt	1,882,552	1,860,941	1.2%
Restricted	--	23,960	-100.0%
Unrestricted	1,846,031	2,311,390	-20.1%
Total net assets	<u>\$ 3,728,583</u>	<u>\$ 4,196,291</u>	<u>-11.1%</u>

The net assets of the District decreased \$467,708 during the current fiscal year. The District's primary source of revenue is Benefit Assessments, which is shown in the financial statements under "Charges for services (benefit assessments)."

**PLACER MOSQUITO AND VECTOR CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

District's Change in Net Assets

	FY 2011	FY 2010	Increase/ Decrease %
Revenue:			
Program revenue:			
Charges for services (benefit assessments)	\$ 3,292,667	\$ 3,273,850	0.6%
General revenue:			
Property taxes	34,441	33,697	2.2%
Interest and other	39,255	95,538	-58.9%
Total general revenue	73,696	129,235	-43.0%
Total revenue	3,366,363	3,403,085	-1.1%
Expenses:			
Health and sanitation	3,614,261	2,786,536	29.7%
Interest on long term debt	219,810	226,578	-3.0%
Total expenses	3,834,071	3,013,114	27.2%
Change in net assets	(467,708)	389,971	-219.9%
Net assets, beginning of year	4,196,291	3,806,320	10.2%
Net assets, end of year	<u>\$ 3,728,583</u>	<u>\$ 4,196,291</u>	<u>-11.1%</u>

Expenses in 2011 exceeded revenue primarily due to a one-time prefunding payment to the District's OPEB trust fund. Other one-time expenses related to start-up costs for new programs made up the remaining expenses.

Fund Financial Analysis

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The District's governmental funds are discussed below:

GOVERNMENTAL FUNDS

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending for program purposes at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported an ending fund balance of \$2,284,893.

**PLACER MOSQUITO AND VECTOR CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Revenues by Source Governmental Funds

	FY 2011	FY 2010	Increase/ Decrease %
Benefit assessments	\$ 3,285,340	\$ 3,267,381	0.5%
Property taxes	34,441	33,697	2.2%
Investment and other earnings	46,582	102,007	-54.3%
Total revenues	<u>\$ 3,366,363</u>	<u>\$ 3,403,085</u>	<u>-1.1%</u>

Expenditures by Function Governmental Funds

	FY 2011	FY 2010	Increase/ Decrease %
Health and sanitation	\$ 3,373,222	\$ 2,523,610	33.7%
Debt service	392,077	393,778	-0.4%
Capital outlay	182,194	1,860,087	-90.2%
Total expenditures	<u>\$ 3,947,493</u>	<u>\$ 4,777,475</u>	<u>-17.4%</u>

Health and sanitation expenditures increased during 2011 primarily due to a one-time prefunding payment to the District's OPEB trust fund. Other one-time expenditures related to start-up costs for new programs made up the remaining expenditures.

Capital outlay expenditures decreased during 2011 primarily as a result of the completion of construction related to building and improvements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets is \$6,056,829. This investment in capital assets includes land, building and improvements, and equipment and vehicles. The significant changes in capital assets were due to building improvements. See Note C for additional details on capital assets in the basic financial statements.

Long-term Liabilities

At June 30, 2011, the District had total long-term liabilities outstanding of \$4,625,651. During the fiscal year ended June 30, 2011, additions to long-term liabilities totaled \$67,573 with retirements of \$229,748 resulting from annual debt service payments totaling \$229,748. Detailed information about the District's long-term liabilities is presented in Note D in the basic financial statements.

**PLACER MOSQUITO AND VECTOR CONTROL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Budget for the fiscal year ending (FYE) June 30, 2012 is \$ 3,988,165. In recognition of the current economic challenges, the District did not increase the benefit assessments or the Lincoln special tax rates for the FYE 2012. As new programs are fully implemented through the end of the FYE 2012, the District will reevaluate the need for changes in assessment rates on an annual basis with the goal of maintaining fiscal sustainability while meeting the District's mandate to protect public health from vectors and vector-borne disease.

The following factors were considered in preparing the District's budget for the FYE 2012:

- Continued need to effectively identify and respond to occurrence of West Nile Virus, Lyme disease and other vector-borne diseases in Placer County.
- Continued need to effectively prevent adult mosquitoes through the use of source reduction measures, biological control and appropriate use of mosquito larvicides, as well as the ability to quickly respond to high adult mosquito populations with appropriate adult mosquito control treatments.
- Increase in costs or changes in availability of some mosquito control materials.
- Need to evaluate and protect against risk of new or emerging vectors and vector-borne disease in Placer County.
- Need for increased public outreach and education that addresses immediate and long-term issues relevant to the District's ability to provide services, and to advise the public about vector risks and personal protective measures.
- Increasing need to collaborate with neighboring vector control agencies and our state association to address issues affecting vectors and vector control on a regional and state-wide basis.
- Continued need for regular maintenance of facility and vehicle fleet.
- Continued need to fund measures to comply with the NPDES Vector Control General Permit.

Future Events that will Financially Impact the District

- Expected need to fund a programmatic CEQA review.
- Expected need to comply with future regulations.
- Future limitations on mosquito control measures that would result in an increase in cost for alternative measures.
- Need to implement new technology related to control operations, data collection, and reporting.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Placer Mosquito and Vector Control District, 2021 Opportunity Drive, Roseville, CA 95678.

BASIC FINANCIAL STATEMENTS

PLACER MOSQUITO AND VECTOR CONTROL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
Assets	
Cash and investments	\$ 2,041,132
Restricted cash and investments	399,263
Interest receivable	2,501
Prepaid items	28,802
Deferred costs, net	85,404
Capital assets	
Nondepreciable	438,627
Depreciable, net	5,618,202
Total assets	8,613,931
 Liabilities	
Accounts payable	186,805
Accrued interest payable	72,892
Long-term liabilities:	
Due within one year	185,211
Due in more than one year	4,440,440
Total liabilities	4,885,348
 Net Assets	
Invested in capital assets, net of related debt	1,882,552
Unrestricted	1,846,031
Total net assets	\$ 3,728,583

The notes to the basic financial statements are an integral part of this statement.

**PLACER MOSQUITO AND VECTOR CONTROL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<u>Governmental Activities</u>
Program Expenses	
Health and sanitation	\$ 3,614,261
Interest on long-term debt	219,810
Total program expense	<u>3,834,071</u>
Program Revenue	
Charges for services	<u>3,292,667</u>
Net program expense	<u>(541,404)</u>
General Revenue	
Property taxes	34,441
Investment earnings	39,255
Total general revenue	<u>73,696</u>
Change in net assets	(467,708)
Net assets, beginning of year	<u>4,196,291</u>
Net assets, end of year	<u><u>\$ 3,728,583</u></u>

The notes to the basic financial statements are an integral part of this statement.

PLACER MOSQUITO AND VECTOR CONTROL DISTRICT
BALANCE SHEET
JUNE 30, 2011

Assets

Cash and investments	\$ 2,041,132
Restricted cash and investments	399,263
Interest receivable	2,501
Prepaid items	28,802
Total assets	\$ 2,471,698

Liabilities and fund balance

Liabilities:

Accounts payable	\$ 186,805
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Fund balance:

Nonspendable for prepaid items	28,802
Nonspendable for imprest cash	400
Restricted for debt service	399,263
Assigned for contingencies	1,220,201
Assigned for future occurrences	25,000
Assigned for emergency vector control	241,450
Unassigned	369,777
Total fund balance	2,284,893

Total liabilities and fund balance	\$ 2,471,698
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The notes to the basic financial statements are an integral part of this statement.

**PLACER MOSQUITO AND VECTOR CONTROL DISTRICT
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011**

Fund balance - page 11	\$ 2,284,893
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the District's fund.	6,056,829
Issuance costs related to the certificates of participation are deferred in the statement of net assets	85,404
Some liabilities are not due and payable in the current period and, therefore, are not reported in the District's fund as follows:	
Certificates of Participantion outstanding	(4,665,000)
Original issuance discount	91,460
Compensated absences	(52,111)
Accrued interest payable	(72,892)
	(4,797,441)
Net assets of governmental activities	\$ 3,728,583

The notes to the basic financial statements are an integral part of this statement.

**PLACER MOSQUITO AND VECTOR CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Revenues:

Charges for services (benefit assessments)	\$ 3,285,340
Property taxes	34,441
Investment earnings	39,255
Miscellaneous	7,327
Total revenues	3,366,363

Expenditures:

Health and sanitation:	
Salaries and benefits	1,935,150
Agriculture	457,698
Professional services	375,917
Office	203,387
Maintenance	78,052
Collection charges	69,401
Insurance	68,319
Utilities	53,949
Fuel and lubricants	48,439
Legal services	42,610
Rents and leases	18,480
Membership dues and subscriptions	10,953
Travel and transportation	10,866
Debt service:	
Interest	222,077
Principal	170,000
Capital outlay	182,194
Total expenditures	3,947,493

Net change in fund balance	(581,130)
Fund balance, July 1, 2010	2,866,023
Fund balance, June 30, 2011	\$ 2,284,893

The notes to the basic financial statements are an integral part of this statement.

**PLACER MOSQUITO AND VECTOR CONTROL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Net change in fund balance – page 13 \$ (581,130)

Amounts reported for governmental activities in the statement of net assets are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	182,194
Depreciation expense	(322,707)
Loss on disposal	(2,548)

The repayment of principal on the certificates of participation consumes the District's current financial resources, however, does not have any impact on net assets.	170,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the District's fund.

Amortization of bond discount	(5,328)
Amortization of bond issuance costs	(4,975)
Change in accrued interest payable	2,267
Change in other postemployment benefits obligation	102,344
Change in compensated absences	<u>(7,825)</u>

Change in net assets of governmental activities	<u><u>\$ (467,708)</u></u>
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The notes to the basic financial statements are an integral part of this statement.

**PLACER MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

In May 2000, Placer County voters approved an assessment to provide funds to set up the Placer Mosquito and Vector Control District (District). The District's objective is to control mosquitoes in the western portion of Placer County. Program activities include eliminating mosquitoes in their larval stage chemically, as well as with mosquito fish, monitoring diseases associated with local mosquitoes, fogging to reduce adult populations, and public education.

The District has a governing board composed of one member appointed by each of the following: Cities of Auburn, Colfax, Lincoln, Rocklin, and Roseville, Town of Loomis, and the Placer County Board of Supervisors.

Accounting Policies

The District accounts for its financial transactions in accordance with the policies and procedures of the County of Placer (County). The accounting policies of the District conform with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the District's activities. The effect of interfund activity has been removed from these statements. The District is only engaged in governmental activities and is supported by benefit assessments.

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. General revenues include direct charges to customers based on voter-approved debt by property assessment.

When both restricted and unrestricted net assets are available, restricted resources are used only after the unrestricted resources are depleted.

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 cash flows.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for on a spending or "financial flow" measurement focus. Their reported fund balance is considered a measure of "available spendable resources."

**PLACER MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The governmental fund is accounted for using the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current accounting period. Expenditures are recognized when the related fund liability is incurred (when goods are received or services rendered). Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal year. The General Fund is the general operating fund of the District and is used to account for all financial resources and activities.

Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) value in exchange are benefit assessments. On a modified accrual basis, revenues from benefit assessments are recognized when the underlying transactions take place and have met the availability criteria.

The District reports the following major governmental fund:

- The General Fund is the District's primary operating fund which accounts for all financial resources and activities of the District.

Cash and Investments

The District maintains cash in the Placer County Treasury where it is pooled with other County funds. The County Treasurer's investment pool is subject to oversight by the Treasury Review Panel.

The County's pooled investments are stated at fair value. The value of the District's pool shares that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of the District's position in the pool. The County's comprehensive annual financial report, containing information relating to the County's cash and investments by risk category, can be obtained from the County Auditor-Controller's office.

Capital Assets

Capital assets are valued at cost unless they are donated, in which case they are valued and reported at their estimated fair market value at the date of donation. Depreciation is computed by using the straight-line method over the estimated useful life of the asset. Assets purchased are recorded as expenditures in the District's fund and capitalized at cost or estimated cost where no historical records are available. The District defines capital assets as assets with an initial individual cost greater than \$5,000 and an estimated useful life in excess of one year. Capital assets are depreciated over their estimated useful lives of 3 to 50 years in the government-wide statements.

Deferred Costs

Costs incurred in the issuance of the Series 2008 VV Certificates of Participation are recognized as expenditures in the fund statements when incurred but are deferred and amortized over the life of the related debt on the government-wide statements.

**PLACER MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

District employees accrue vacation at varying amounts based on length of service and sick leave at a rate of ninety-six (96) hours a year. An employee's vacation accrual may not exceed two hundred and forty hours (240). Sick leave hours not used during the period are carried forward to the following years with no limit as to the number of hours that can be accumulated. Employees are not compensated for accrued but unused sick leave upon termination of employment; however, accrued but unused sick leave at the time of termination can be used as service time for purposes of retirement benefits, so long as consistent with the applicable contract and statutes of the California Public Employees' Retirement System (CalPERS).

Use of Estimates

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

New Accounting Pronouncement

During the fiscal year ended June 30, 2011, the District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes a hierarchy of fund balance classifications based on relative strength of the constraints imposed on the use of the resources reported in governmental funds. The intent of this Statement is to improve the usefulness of fund balance information by clearly defining the classification for more consistent application and by clarifying the definitions of the types of governmental funds.

Net Assets

The government-wide fund financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets, net of related debt, restricted and unrestricted.

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation of these assets reduces the balance in this category. Debt incurred and outstanding to construct and/or acquire capital assets, net of unspent proceeds, also reduces the balance in this category.

Unrestricted Net Assets – This category represents net assets of the District, not restricted for any project or other purpose.

**PLACER MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

Under GASB Statement No. 54, fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the District is bound to honor constraints on how specific amounts can be spent.

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

Restricted fund balance – amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Assigned fund balance – amounts that are constrained by the District's *intent* to be used for specific purposes. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose.

Unassigned fund balance – amounts that constitute the residual balances that have no restrictions placed on them.

Revenues

The County administers the District's revenue. The County bills and collects revenues through benefit assessments added to property tax billings. General revenues derive from tax receipts that are a percentage of property taxes collected. All receipts are deposited directly into the County's pooled cash fund for the District, after charging the District a 1% administrative fee. The District considers interest earned and property tax allocations to be general revenues.

**PLACER MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE B – CASH AND INVESTMENTS

Cash and investments at June 30, 2011 consists of the following:

	Unrestricted	Restricted	Total
Cash in County Treasury	\$ 2,002,368	\$ --	\$ 2,002,368
Cash held with fiscal agents	38,364	399,263	437,627
Imprest cash	400	--	400
Total	\$ 2,041,132	\$ 399,263	\$ 2,440,395

The District involuntarily participates in the County Treasurer’s cash and investment pool. California Government Code Section 53600, et. seq., and the County investment policy authorizes the following investments; local agency bonds, U.S. Treasury securities, U.S. agency securities, bankers acceptances, commercial paper, negotiable certificates of deposit, repurchase agreements, corporate notes, money market mutual funds and the California Local Agency Investment Fund (LAIF). Other allowable investments pursuant to Government Code Section 53601, although restricted by the County’s investment policy, include mutual funds, mortgage and collateral-backed securities, asset-backed securities, reverse repurchase agreements, and joint powers authority investment pools.

Cash held with fiscal agents represent the District’s investment in a money market mutual fund. A portion is held in an account restricted for debt service payments on the Series 2008 VV Certificates of Participation (refer to Note D) and the remainder may be used for capital improvements.

The County has a Treasury Review Panel, which performs regulatory oversight for its pool as required by Treasurer Policy. Investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. However, the value of the District’s shares in the County investment pool, which may be withdrawn, is determined on an amortized cost basis, which is different then the fair value of the District’s position in the pool. The District’s investment in the County Treasurer as of June 30, 2011 is stated at fair value.

GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an amendment of GASB Statement No. 3*, requires additional disclosures about a government’s deposit and investment risks that include credit risk, custodial credit risk, concentration of credit risk and interest rate risk. The District does not have an investment policy that addresses these specific types of risk.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. The weighted average to maturity of the County’s external investment pool as of June 30, 2011 was 1,480 days. The weighted average to maturity of the Vector Control Joint Powers Agency (VCJPA) external investment pool as of June 30, 2011 was 922 days and the District’s money market mutual fund held by Bank of New York Mellon is 36 days.

**PLACER MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE B – CASH AND INVESTMENTS (CONTINUED)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the County and VCJPA external investment pools are not rated. The District's investment in the money market mutual fund is rated AAAM by Standard & Poor's.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that in the event of the failure of a depository institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counterparty (i.e. broker-dealer) to a transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state and local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District is not exposed to custodial credit or concentration of credit risk as it participates in the County's external investment pool and has no investments (other than U.S. treasury securities, money market mutual funds and external investment pools) that represent 5% or more of the District's total investments. Therefore, the District is not subject to such risks.

**PLACER MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE C – CAPITAL ASSETS

Changes in the capital assets during the fiscal year ended June 30, 2011 were as follows:

	Balance July 1, 2010	Additions	Retirements/ Transfers	Balance June 30, 2011
Capital assets, not being depreciated:				
Land	\$ 438,627	\$ -	\$ -	\$ 438,627
Capital assets, being depreciated:				
Buildings and improvements	5,738,912	71,320	(101,916)	5,708,316
Equipment and vehicles	601,190	110,874	(41,647)	670,417
Total capital assets, being depreciated	<u>6,340,102</u>	<u>182,194</u>	<u>(143,563)</u>	<u>6,378,733</u>
Less accumulated depreciation for:				
Buildings and improvements	(170,449)	(274,852)	\$ 99,368	(345,933)
Equipment and vehicles	(408,390)	(47,855)	41,647	(414,598)
Total accumulated depreciation	<u>(578,839)</u>	<u>(322,707)</u>	<u>141,015</u>	<u>(760,531)</u>
Total capital assets, being depreciated, net	<u>5,761,263</u>	<u>(140,513)</u>	<u>(2,548)</u>	<u>5,618,202</u>
Capital assets - net	<u>\$ 6,199,890</u>	<u>\$ (140,513)</u>	<u>\$ (2,548)</u>	<u>\$ 6,056,829</u>

**PLACER MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE D – LONG-TERM LIABILITIES

Changes in the District’s long-term liabilities during the fiscal year ended June 30, 2011, were as follows:

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011	Amounts Due Within One Year
Compensated absences	\$ 44,286	\$ 67,573	\$ (59,748)	\$ 52,111	\$ 5,211
Certificates of participation	4,835,000	-	(170,000)	4,665,000	180,000
Original issuance discount	(96,788)	-	5,328	(91,460)	-
Total	<u>\$ 4,782,498</u>	<u>\$ 67,573</u>	<u>\$ (224,420)</u>	<u>\$ 4,625,651</u>	<u>\$ 185,211</u>

On August 20, 2008, the District issued \$5,000,000 of Series 2008 VV Certificates of Participation (Certificates). The proceeds of the 2008 Certificates were used to provide funds to the District to finance the acquisition of a new administration building located in Roseville, California; to fund, in whole or in part, a reserve fund for the Certificates, and to pay certain costs of executing and delivering the Certificates. The interest rate varies between 3.25% and 5.25% and is payable in semi-annual installments on September 1 and March 1. The Certificates mature annually on September 1 ending in 2028. The Certificates are payable by benefit assessments levied against each lot, tract or parcel within the District.

The following is a schedule of total debt service requirements to maturity as of June 30, 2011 for the Series 2008 VV certificates of participation:

Year Ending June 30,	Principal	Interest
2012	\$ 180,000	\$ 215,078
2013	185,000	208,471
2014	190,000	202,140
2015	200,000	195,190
2016	205,000	187,721
2017-2021	1,160,000	799,535
2022-2026	1,470,000	479,512
2027-2029	1,075,000	86,494
Total	<u>\$ 4,665,000</u>	<u>\$ 2,374,141</u>

**PLACER MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE E – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions and injuries to employees. The District and various other districts throughout the State of California formed the Vector Control Joint Power District (VCJPA) to provide coverage for workers' compensation, general and property liability exposures and to pay for the administration of the program. The Joint Powers Agreement established for its members the VCJPA General Liability and Workers' Compensation Plans.

As defined by GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, the VCJPA is a "risk-sharing pool." The VCJPA manages one pool for all members. The arrangement allows its members to transfer or pool risks and share in the cost of losses. The District currently reports all of its risk management activities in its General Fund. Premiums due to the VCJPA are reported when incurred. Each member of the VCJPA pays an annual premium to the insurance system which is evaluated each year.

The agreement for the formation of the VCJPA provides that the system will be self-sustaining through member premiums and is insured through a commercial company for claims in excess of the self-insured retention.

VCJPA members are also permitted to deposit unobligated funds with the VCJPA in the Member Contingency Fund and the Property Contingency Fund. The purpose of these funds is to pay for items not covered under VCJPA's pool programs. Deposit and withdrawal of unobligated funds may be made by the District at any time. As of June 30, 2011, the District had \$37,769 in the Member Contingency Fund and \$595 in the Property Contingency Fund.

NOTE F – PENSION PLAN

Pension Plan Description

The District's defined benefit pension plan, Miscellaneous Plan, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The District contributes to CalPERS, a cost-sharing multiple employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. CalPERS requires plans with less than 100 active participants to participate in risk pools. The District participates in the Miscellaneous 2.0% at 55 risk pool. The pool is the consolidation of all public agencies with less than one hundred employees in each bargaining unit. Benefit provisions and all other requirements are established by contract with CalPERS in accordance with the provisions of the Public Employees Retirement Law. CalPERS issues a separate comprehensive annual financial report which is available to the public. Copies of CalPERS annual financial report may be obtained from their Executive Office, 400 Q Street, P.O. Box 942701, Sacramento, California 94229.

**PLACER MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE F – PENSION PLAN (CONTINUED)

Funding Policy

Active plan members in the Miscellaneous Plan of the District are required to contribute 7% of their annual covered salary. The District makes the contributions required of District employees on their behalf and for their account. The District was required to contribute at an actuarial determined rate of 8.776% of annual covered payroll. The contribution requirements of plan members and the District are established and may be amended by CalPERS.

Annual Pension Cost

For the fiscal year ended June 30, 2011, the District’s annual pension cost of \$80,892 for CalPERS was equal to the District’s required and actual contributions.

Three Year Trend Information for the Miscellaneous Plan

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>
June 30, 2009	\$ 44,229	100%
June 30, 2010	64,477	100%
June 30, 2011	80,892	100%

NOTE G – OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The District participates in a single-employer defined benefit healthcare plan administered by CalPERS as permitted under the Public Employees’ Medical and Hospital Care Act (PEMHCA). The plan provides postemployment healthcare benefits to employees, for life or until coverage is discontinued, who are eligible to retire with CalPERS and have completed at least 10 years of employment with the District. The District contributes \$108 per month per eligible retiree. The District Agency has established an other postemployment benefits (OPEB) trust account with the California Employers’ Retiree Benefit Trust (CERBT), an agent multiple employer plan administered by CalPERS. CalPERS issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information. Copies of CalPERS’ annual financial report may be obtained from their Executive Office, 400 Q Street, P.O. Box 942701, Sacramento, California 94229.

Funding Policy

The District’s minimum required contribution is set by California Government Code Section 22892. Contribution requirements in excess of the minimum for plan members and the District are established and may be amended by the District’s Board of Trustees. The District’s actuarially determined contribution rate was 13.7% of annual covered payroll.

**PLACER MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE G – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

The District’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding, that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The following table shows the components of the District’s annual OPEB cost, the amount contributed to the plan, and the changes in the net OPEB obligation for the year ended June 30, 2011:

Annual required contribution (ARC)	\$282,334
Interest on net OPEB obligation	7,932
Adjustment to the ARC	<u>(6,380)</u>
Annual OPEB cost	283,886
Contributions made	<u>(386,230)</u>
Decrease in net OPEB obligation	(102,344)
Net OPEB obligation – beginning of year	<u>102,344</u>
Net OPEB obligation – end of year	<u>\$ _____</u>

The annual required contribution of \$282,334 reflects \$228,389 of amortization of the unfunded actuarial accrued liability (UAAL).

The District’s, annual OPEB cost, the percentage of annual OPEB cost contributed and net OPEB obligation as of and for the fiscal year ended June 30, 2011 and the preceding year were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/10	\$ 116,186	12%	\$ 102,344
6/30/11	283,886	136%	-

As required by GASB Statement No. 45, the District will report three years of data in the above table as the information becomes available in subsequent years.

**PLACER MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE G – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

Funded Status and Funding Progress

The funded status of the plan as of January 1, 2010, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$536,484
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$536,484</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$846,945
UAAL as percentage of covered payroll	63.3%

As required by GASB Statement No. 45, the District discloses the funding status and funding progress as of the most recent valuation date which was January 1, 2010. During the fiscal year ended June 30, 2011, the District changed their financing method from pay-as-you-go to prefunding their OPEB costs and contributed \$386,230 to the CERBT.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress is presented as required supplementary information following the notes to the basic financial statements.

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

In the District's January 1, 2010 actuarial valuation, the entry age normal cost method was used. The actuarial assumption included a 4.5% investment rate of return and medical premiums have been assumed to rise at a decreasing rate from 9% in 2010 to 4.5% on 2017. Both rates assume a 3.25% inflation factor. The OPEB plan's UAAL is being amortized based on two components with separate amortization periods of 1 year, and 30 years as a level percentage of projected payroll. The equivalent single amortization period for all components combined does not exceed the maximum acceptable period of 30 years.

**PLACER MOSQUITO AND VECTOR CONTROL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE H – RELATED PARTY TRANSACTIONS

Under contractual agreement, the County provides administrative services to the District, including personnel, and allocates costs related to these services and facilities to the District. For the fiscal year ended June 30, 2011, the County incurred on the District’s behalf \$6,556 for salaries and benefits, operating costs and administrative services.

The County also charges the District for administrative and collection costs related to benefit assessments and property tax revenues. For the fiscal year ended June 30, 2011, the amount charged was \$69,401.

NOTE I – COMMITMENT AND CONTINGENCIES

Operating Lease

The District’s operating lease obligations are for the rental of a satellite office of a local mosquito and vector control district, including office use, storage of district vehicles and equipment, vehicle and equipment maintenance, and the storage of mosquito/vector control pesticides. The future minimum lease payments required for this operating lease is as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2012	\$ 23,220
2013	<u>18,360</u>
Total	<u>\$ 41,580</u>

REQUIRED SUPPLEMENTARY INFORMATION

**PLACER MOSQUITO AND VECTOR CONTROL DISTRICT
SCHEDULE OF FUNDING PROGRESS – OTHER POSTEMPLOYMENT BENEFITS PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

Actuarial Valuation Date	Actuarial Accrued Liability (a)	Actuarial Value of Assets (b)	Unfunded Liability (a)-(b)	Funded Ratio (b)/(a)	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as Covered a % of Payroll [(a)-(b)]/(c)
1/1/2010	\$536,484	\$ -	\$536,484	0.00%	\$846,945	63.3%

As required by GASB Statement No. 45, the District will report three years of data in the above table as the information becomes available in subsequent years.

**PLACER MOSQUITO AND VECTOR CONTROL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Revenues:				
Charges for services (benefit assessment)	\$ 3,286,602	\$ 3,286,602	\$ 3,285,340	\$ (1,262)
Property taxes	36,450	36,450	34,441	(2,009)
Investment earnings	45,000	45,000	39,255	(5,745)
Miscellaneous	-	-	7,327	7,327
	<u>3,368,052</u>	<u>3,368,052</u>	<u>3,366,363</u>	<u>(1,689)</u>
Expenditures:				
Health and sanitation:				
Salaries and benefits	1,710,062	2,079,175	1,935,150	144,025
Agriculture	497,389	497,389	457,698	39,691
Professional services	362,080	363,880	375,917	(12,037)
Office	254,760	248,860	203,387	45,473
Maintenance	141,750	141,750	78,052	63,698
Collection charges	70,147	70,147	69,401	746
Insurance	68,319	68,319	68,319	-
Utilities	47,250	47,250	53,949	(6,699)
Fuel and lubricants	45,000	45,000	48,439	(3,439)
Legal services	20,000	20,000	42,610	(22,610)
Rents and leases	19,600	19,600	18,480	1,120
Membership dues and subscriptions	12,700	12,000	10,953	1,047
Travel and transportation	21,532	21,532	10,866	10,666
Debt service:				
Interest	229,000	229,000	222,077	6,923
Principal	165,000	165,000	170,000	(5,000)
Capital outlay	230,500	279,567	182,194	97,373
	<u>3,895,089</u>	<u>4,308,469</u>	<u>3,947,493</u>	<u>360,976</u>
Net change in fund balance	<u>\$ (527,037)</u>	<u>\$ (940,417)</u>	(581,130)	<u>\$ 359,287</u>
Fund balance, July 1, 2010			<u>2,866,023</u>	
Fund balance, June 30, 2011			<u>\$ 2,284,893</u>	

See accompanying note to required supplementary information.

**PLACER MOSQUITO AND VECTOR CONTROL DISTRICT
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(UNAUDITED)**

NOTE A – BUDGETS AND BUDGETARY ACCOUNTING

Formal budgetary accounting is employed by the District as a management control for the District's general fund. The Board of Trustees adopts an annual budget each fiscal year. The budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgetary control is exercised at the fund level. All amendments to the budget are reflected in the financial statements and require the approval of the Board of Trustees. All unencumbered annual appropriations lapse at the end of each fiscal year. There are no encumbrances outstanding at year-end.

OTHER REPORT

Board of Trustees
Placer Mosquito and Vector Control District
Roseville, California

INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities and the major fund of the Placer Mosquito and Vector Control District (District), as of and for the year ended June 30, 2011, which collectively comprise the District’s basic financial statements and have issued our report thereon dated April 12, 2012. Our report contains an explanatory paragraph discussing the District’s implementation of a new governmental accounting standard. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District’s internal control over financial as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated April 12, 2012.

This report is intended solely for the information and use of management and the Board of Trustees of the District and is not intended to be and should not be used by anyone other than these specified parties.

Maciam Mini & O'Connell LLP

Sacramento, California
April 12, 2012

**PLACER MOSQUITO AND VECTOR CONTROL DISTRICT
SCHEDULE OF PRIOR YEAR FINDING AND RECOMMENDATION
FOR THE YEAR ENDED JUNE 30, 2011**

Item: 2010-1
Issue: Social Security Taxes

Criteria:

The Federal Insurance Contribution Act (FICA) tax is imposed on both employees and employers to fund Social Security and Medicare. For the fiscal year 2010 both the employee's and employer's share of this tax was 6.2% of gross compensation up to a limit of \$106,000. The District is responsible for the design and operation of internal controls over financial reporting that allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. This includes deducting the required payroll taxes from their employees and submitting such taxes to the appropriate taxing authority.

Condition:

Based upon our testing and inquiries with management, it was discovered that the District did not properly deduct the Social Security tax portion of FICA for temporary employees during the year. IRS Publication 963 indicates that state and local government employees are required to be covered for social security unless they are participating in a public retirement system. The temporary employees that were identified as not having the Social Security taxes deducted were not enrolled in a public retirement system during the year. As a result the employer's quarterly Federal Tax returns (Form 941) were not accurate and the Department of the Treasury, Internal Revenue Service (IRS) did not receive the proper amount of payroll taxes from the District. Furthermore, it was identified that Social Security taxes have not been deducted from temporary employees or paid by the District since 2002.

Cause:

Only regular, full-time employees were hired during the initial years of operation of the Placer Mosquito and Vector Control District. The District enrolled the employees in the California Public Employees' Retirement System (CalPERS) in 2001. Since the employees were participating in a public retirement system, the District did not subject the employees to certain payroll tax deductions, specifically Social Security taxes. However, the District subsequently hired temporary (seasonal) employees who did not qualify to become members and were not covered under CalPERS. The District did not establish the appropriate payroll tax deductions with their third party payroll administrator to appropriately deduct the Social Security tax portion of FICA for their temporary employees since 2002.

Effect:

Management was aware of this condition and has ultimately prepared the adjusted employer's quarterly Federal Tax return claims (Form 941-X) and has estimated that approximately \$29,900 in unpaid Social Security taxes should be submitted to the IRS. This amount will possibly increase with the inclusion of interest and penalties.

**PLACER MOSQUITO AND VECTOR CONTROL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2011**

Recommendation

To mitigate any further interest and penalties on unpaid Social Security taxes, the District should continue working with the Internal Revenue Service and file the required adjusted tax returns (Form 941-X) for the quarterly periods dating back to 2002.

Management Response:

The underpayment of Social Security taxes for temporary seasonal employees employed from 2002 to 2009 was identified in July of 2010, and steps have been taken to correct this problem. The District has been working with the IRS to meet its obligations in this matter. As of March, 2011 all corrected forms have been filed with the IRS and notifications have been sent to the affected employees. The District is waiting for notification from the IRS regarding the final amount the District will need to correct this oversight.

Current Year Status:

The prior year recommendation has been implemented.