

COMPTON CREEK MOSQUITO
ABATEMENT DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2014

COMPTON CREEK MOSQUITO ABATEMENT DISTRICT

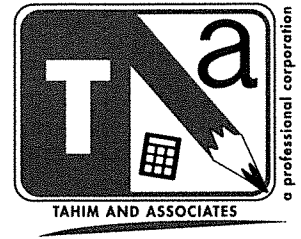
JUNE 30, 2014

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Tahim and Associates

a professional corporation



INDEPENDENT AUDITORS' REPORT

Board of Trustees
Compton Creek Mosquito Abatement District
Compton, California

We have audited the accompanying financial statements of the governmental activities of the Compton Creek Mosquito Abatement District (the District), as of and for the year ended June 30, 2014 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major funds of the Compton Creek Mosquito Abatement District as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Anne Tahim

August 12, 2014

COMPTON CREEK MOSQUITO ABATEMENT DISTRICT

Exhibit A

STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2014

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets:			
Cash on deposit with County Treasurer	\$ 438,948	\$ -	\$ 438,948
Cash in bank	12,661	-	12,661
Taxes receivable	21,350	-	21,350
Interest receivable	1,065	-	1,065
Prepaid OPEB costs	-	29,389	29,389
Capital assets, net of accumulated depreciation	-	66,892	66,892
Total Assets	<u>\$ 474,024</u>	<u>\$ 96,281</u>	<u>\$ 570,305</u>
Liabilities:			
Accounts payable	\$ 905	\$ -	\$ 905
Accrued liabilities	2,570	-	2,570
Total Current Liabilities	<u>3,475</u>	-	<u>3,475</u>
Long Term Liabilities:			-
Compensated absences	-	13,104	13,104
Total Liabilities	<u>3,475</u>	<u>13,104</u>	<u>16,579</u>
Deferred Inflows of Resources:			
Deferred tax revenue	13,156	(13,156)	
Fund Balances/Net Assets:			
Fund Balances:			
Unassigned	<u>457,393</u>	<u>(457,393)</u>	<u>-</u>
Total Fund Balances	<u>457,393</u>	<u>(457,393)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 474,024</u>	<u>\$ (457,445)</u>	<u>\$ 16,579</u>
Net Assets:			
Invested in capital assets, net of related debt		66,892	66,892
Unrestricted		<u>486,834</u>	<u>486,834</u>
Total Net Assets		<u>\$ 553,726</u>	<u>\$ 553,726</u>

See Notes to Financial Statements

COMPTON CREEK MOSQUITO ABATEMENT DISTRICT

Exhibit B

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL
FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2014**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Property taxes	\$ 316,574	\$ 3,565	\$ 320,139
Interest	2,136	-	2,136
Total Revenues	<u>318,710</u>	<u>3,565</u>	<u>322,275</u>
Expenditures:			
Salaries	90,067	2,915	92,982
Retirement	5,099		5,099
Postemployment benefits	-	3,054	3,054
Trustee fees	5,223	-	5,223
Payroll tax	6,903	-	6,903
State unemployment insurance	1,104	-	1,104
Maintenance - building	2,838	-	2,838
Laundry	2,193	-	2,193
Memberships	1,312	-	1,312
Professional services	13,189	-	13,189
Office	2,790	-	2,790
Public education	17,116	-	17,116
Gas and oil	6,127	-	6,127
Travel and transportation	9,633	-	9,633
Utilities	3,018	-	3,018
Miscellaneous	37	-	37
Tax collection	10,381	-	10,381
Insecticides	381	-	381
West Niles Virus	350	-	350
Purchase of Fixed Assets	33,776	(33,776)	-
Depreciation		10,199	10,199
Total Expenditures	<u>211,537</u>	<u>(17,608)</u>	<u>193,929</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	107,173	21,173	128,346
Fund Balance/Net Assets:			
Beginning of year	<u>350,220</u>	<u>75,160</u>	<u>425,380</u>
End of year	<u>\$ 457,393</u>	<u>\$ 96,333</u>	<u>\$ 553,726</u>

See Notes to Financial Statements

COMPTON CREEK MOSQUITO ABATEMENT DISTRICT

Exhibit C

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2014**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1	\$ 350,220	\$ 350,220	\$ 350,220	\$ -
Resources (Inflows):				
Property taxes	207,000	207,000	316,574	109,574
Interest	-	-	2,136	2,136
Amounts Available for Appropriation	<u>557,220</u>	<u>557,220</u>	<u>668,930</u>	<u>111,710</u>
Charges to Appropriation (Outflow):				
Salaries	86,500	86,500	90,067	(3,567)
Retirement			5,099	(5,099)
Trustee fees	6,000	6,000	5,223	777
Payroll tax	7,100	7,100	6,903	197
Employee group health insurance	1,500	1,500	-	1,500
State unemployment insurance	650	650	1,104	(454)
Insurance (General)	-	-	-	-
Maintenance - building	6,350	6,350	2,838	3,512
Maintenance - equipment	1,200	1,200	-	1,200
Laundry	2,000	2,000	2,193	(193)
Memberships	2,900	2,900	1,312	1,588
Professional services	19,750	19,750	13,189	6,561
Office	6,000	6,000	2,790	3,210
Insecticides	600	600	381	219
Public education	20,000	20,000	17,116	2,884
Gas and oil	8,500	8,500	6,127	2,373
Travel and transportation	21,000	21,000	9,633	11,367
Utilities	3,000	3,000	3,018	(18)
Miscellaneous	6,400	6,400	37	6,363
Tax collection	12,000	12,000	10,381	1,619
MVCAC research	1,500	1,500	-	1,500
West Nile Virus	25,000	25,000	350	24,650
NPDES	2,000	2,000	-	2,000
GASB 43 Funding	2,000	2,000	-	2,000
Purchase of Fixed Assets	57,000	57,000	33,776	23,224
Total Charges to Appropriations	<u>298,950</u>	<u>298,950</u>	<u>211,537</u>	<u>87,413</u>
Budgetary Fund Balance, June 30	<u>\$ 258,270</u>	<u>\$ 258,270</u>	<u>\$ 457,393</u>	<u>\$ 199,123</u>

See Notes to Financial Statements

**COMPTON CREEK MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2014**

Note 1: Organization and Summary of Significant Accounting Policies

a. Description of the Reporting Entity

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

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

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

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

b. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

d. Assets, Liabilities and Net Assets or Equity

Cash and Investments

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

Receivables and Payables

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

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

Prepaid Costs

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

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

Capital Assets

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

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

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

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

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

Compensated Absences

Sick leave is payable when an employee is unable to work because of illness. The District's policy permits employees to accumulate earned but unused sick pay benefits. The total amount of liability for unused sick pay benefits are accrued when incurred in the Statement of Net Position. The District utilizes its General Fund in the governmental fund financial statements to account for the short-term portion of its liability. The short-term portion is determined to be the amount due to employees for future absences, which is attributable to services already rendered, and which is expected to be paid during the next fiscal year. Sick leave may be accumulated up to a maximum of 240 hours. All unused sick leave is forfeited upon termination, other than for normal retirement.

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

e. Reconciliation of Government-Wide and Fund Financial Statements

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

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

Governmental Funds-Ending Fund Balances	<u>\$ 457,393</u>
Capital Assets, Not Being Depreciated	13,014
Capital Assets, Being Depreciated	190,115
Accumulated Depreciation	<u>(136,237)</u>
	66,892
Deferred revenue recognized as current revenue, since revenue recognition is not based upon availability criteria	13,156
Compensated absences not payable in the current year	(13,104)
Prepaid postemployment benefits	<u>29,389</u>
Net adjustment to increase fund balances of governmental funds to arrive at Statement of Net Assets	<u>96,333</u>
Government -Wide Statement of Net Position- Total Net Asssets	<u>\$ 553,726</u>

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

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

Government Funds-Changes in Fund Balance	<u>\$ 107,173</u>
Capital outlay which is capitalized rather than expensed	33,776
Depreciation expense	<u>(10,199)</u>
	23,577
Deferred revenue recognized as current revenue, since revenue recognition is not based upon availability criteria	3,565
Compensated absences reported in the Statement of Activities, not requiring additional expenditures in the governmental funds	(2,915)
Postemployment benefits	<u>(3,054)</u>
Net adjustments to increase net changes in fund balances of Governmental Funds to arrive at changes in the Statement of Activities	<u>21,173</u>
Statement of Activity-Changes in Net Position	<u>\$ 128,346</u>

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

Note 2: Stewardship, Compliance and Accountability

A. General Budget Policies

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

B. Budget Basis of Accounting

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

Note 3: Cash and Investments

As of June 30, 2014, cash and investments were reported in the accompanying financial statements as follows:

Cash on deposit with County Treasurer	\$ 438,948
Cash in bank	<u>12,661</u>
Total	<u>\$ 451,609</u>

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

Deposits

At June 30, 2014, the total carrying amounts of the District's deposits with banks were \$12,661 and the bank balance was \$12,661.

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

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

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by maintaining a significant portion of District investments in short-term investments with the County investment pool, which provides adequate cash flow and liquidity as needed for operations. At June 30, 2014 the District's funds were invested in accounts held by the investment institutions at various interest rates. There are no investments with a maturity date exceeding than one year thereby minimizing the risk of lower interest rates.

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

	<u>Fair Value</u>
Cash on deposit with Los Angeles County Treasurer	<u>\$ 438,948</u>

GASB Statement No. 31

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

Custodial Credit Risk

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

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

As of June 30, 2014, the District's deposits were under the bank's FDIC limit and therefore were not exposed to custodial credit risk. The banks are required to collateralize the District's deposits by pledging government securities, as previously described under "Deposits".

Concentration of Credit Risk

The District's investment policy does not impose restrictions for certain types of investments with any one issuer, however GASB Statement No. 40 requires a separate disclosure if any single issuer comprises more than 5% of the total investment value. As of June 30, 2014, all of the District's deposits were with the Bank of America and the County of Los Angeles.

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

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

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

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 13,014	\$ -	\$ -	\$ 13,014
Total Capital Assets, Not Being Depreciated	13,014	-	-	13,014
Capital assets, being depreciated:				
Building and Improvements	54,329		-	54,329
Furniture, fixtures and equipment	102,010	33,776	-	135,786
Total Capital Assets, Being Depreciated	156,339	33,776	-	190,115
Less accumulated depreciation:				
Building and improvements	26,349	5,088	-	31,437
Furniture, fixtures and equipment	99,689	5,111	-	104,800
Total Accumulated Depreciation	126,038	10,199	-	136,237
Total Capital Assets, Being Depreciated, Net	30,301	23,577	-	53,878
Governmental Activities Capital Assets, Net	<u>\$ 43,315</u>	<u>\$ 23,577</u>	<u>\$ -</u>	<u>\$ 66,892</u>

Note 5: Pension Plan Obligations

Plan Description

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

All full-time District employees participate in PERS. Benefits vest after five years of service. District employees who retire at or after the age of sixty with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to two

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

percent per year of employment, of their average salary during their last 36 months of employment. The District, through PERS, also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute and action of the District's Board of Trustees.

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

Information for Compliance with GASB Statement No.27

Under GASB 27, an employer should recognize annual pension expenditures equal to its contractually required contributions to the Plan. Pension liabilities and assets result from the difference between contributions required and contributions made. The contractually required contribution for the period July 1, 2014 to June 30, 2015 has been determined by an actuarial valuation of the Plan as of June 30, 2012. The contribution rate for the indicated period is 0.000% of payroll. The Plan is part of the Miscellaneous 2% at 60 Risk Pool, a cost-sharing multiple-employer defined benefit plan under the administration of CalPERS.

A summary of principle assumptions and methods used to determine the ARC is shown below.

Valuation Date	June 30, 2012
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level Percent of Payroll
Average Remaining Period	7 Years as of the Valuation Date
Asset Valuation Method	15 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return	7.50% (net of administrative expenses)
Projected Salary Increases	3.30% to 14.20% depending on Age, Service, and type of employment
Inflation	2.75%
Payroll Growth	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

For 2014, the District's annual pension cost was \$5,099 and was equal to the District's required and actual contributions. For fiscal years 2014, 2013 and 2012, the District's annual contributions for the CALPERS plan were equal to the District's required and actual contributions for each fiscal year as follows:

<u>Three Year Trend Information for PERS</u>			
<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
6/30/2012	\$ -	100.00%	\$ -
6/30/2013	\$ -	100.00%	\$ -
6/30/2014	\$ 5,099.00	100.00%	\$ 5,099.00

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

Note 6: Postemployment Healthcare Benefits

Plan Description

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

Funding Policy

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

GASB Statement 45 requires public entities to perform periodic actuarial valuations to measure and disclose their retiree healthcare liabilities for the financial statements of both the employer and trust set aside to pre-fund these benefits. The District has set up a trust. The Compton Creek Mosquito Abatement District engaged an actuary to analyze the liabilities associated with its current retiree health program as of the valuation date of July 1, 2013.

The annual required contribution (ARC) presented below is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$ 3,454
Interest on OPEB obligation	(2,388)
Adjustment to ARC	1,988
Annual OPEB cost	<u>3,054</u>
Contributions made	-
Increase (decrease) in net OPEB obligation	3,054
Net OPEB obligation (Asset) June 30, 2013	<u>(32,443)</u>
Prepaid OPEB costs at June 30, 2014	<u>\$ (29,389)</u>

Annual OPEB Costs and Net OPEB Obligation (Asset)

For fiscal year 2013-2014, the District's annual OPEB cost (expenses) of \$3,054 was equal to the ARC, interest on the OPEB obligation at the beginning of the year plus an actuarial adjustment to the ARC. Information on the annual OPEB cost, percentage of Annual OPEB cost contributed, and Net OPEB Obligation for the past three years is presented below:

Fiscal Year End	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	<u>\$ 6,631</u>	<u>\$ 55,000</u>	<u>829%</u>	<u>\$ (35,460)</u>
June 30, 2013	<u>\$ 3,017</u>	<u>\$ -</u>	<u>0%</u>	<u>\$ (32,443)</u>
June 30, 2014	<u>\$ 3,054</u>	<u>\$ -</u>	<u>0%</u>	<u>\$ (29,389)</u>

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

Note 7: Contingency

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

Because of the uncertainty arising from the counts inability to determine the computation methodology and given that redevelopment agencies were dissolved effective February 1, 2014 by actions of the legislature with pass-through payments now being calculated and paid directly by the County of Los Angeles, it is not possible to determine the financial impact to the District of this litigation. However, District management believes, because of the small amount of revenues it has received from the pass-through payments, that the financial impact, if any will be small.

Note 8 Fund Equity

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

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

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

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

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

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

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

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

Note 9: Risk Management

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

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

The District is covered for the first \$1,000,000 of each general liability claim and \$500,000 of each workers compensation claim through the VCJPA. The District has the right to receive dividends, if declared by the Board of Directors for a program year in which the District participated, and the obligation to pay assessments based on a formula which, among other expenses, charges the District's account for liability losses under \$10,000 and worker's compensation losses under \$25,000. The VCJPA participates in an excess pool which provides general liability coverage from \$1,000,000 to \$29,000,000 and in an excess pool which provides worker's compensation coverage over \$500,000 to \$5,000,000 and purchases excess insurance above \$5,000,000 up to the statutory limit. The VCJPA can be contacted directly for additional financial information.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the year ended June 30, 2014. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payables as of June 30, 2014.