

**FRESNO MOSQUITO AND VECTOR
CONTROL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS
AND
FINANCIAL STATEMENTS
JUNE 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Fresno Mosquito and Vector Control District
Fresno, California

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of the Fresno Mosquito and Vector Control District (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2023 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to be "Meredith J. [unclear]", written in a cursive style.

October 13, 2023

FRESNO MOSQUITO AND VECTOR CONTROL DISTRICT

GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION JUNE 30, 2023

	<u>General Fund</u>	<u>Adjustments (Note 7)</u>	<u>Statement of Net Position</u>
Assets			
Cash and investments	\$ 3,579,606	\$ -	\$ 3,579,606
Interest receivable	207,980	-	207,980
Capital assets, net of accumulated depreciation	-	502,692	502,692
Total assets	<u>3,787,586</u>	<u>502,692</u>	<u>4,290,278</u>
Deferred Outflows of Resources			
Total deferred outflows of resources	-	1,018,426	1,018,426
	<u>-</u>	<u>1,018,426</u>	<u>1,018,426</u>
Liabilities			
Accounts payable and other accrued liabilities	4,379	-	4,379
Compensated absences	89,464	-	89,464
Net pension liability	-	1,667,794	1,667,794
Total liabilities	<u>93,843</u>	<u>1,667,794</u>	<u>1,761,637</u>
Deferred Inflows of Resources			
Total deferred inflows of resources	-	137,720	137,720
	<u>-</u>	<u>137,720</u>	<u>137,720</u>
Fund Balances			
Committed	213,292	(213,292)	-
Assigned	1,400,000	(1,400,000)	-
Unassigned	1,893,269	(1,893,269)	-
Total fund balances	<u>3,506,561</u>	<u>(3,506,561)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,600,404</u>	<u>\$ (1,701,047)</u>	1,899,357
Net Position			
Net investment in capital assets			502,692
Restricted			213,292
Unrestricted			2,506,185
Total net position			<u>\$ 3,222,169</u>

FRESNO MOSQUITO AND VECTOR CONTROL DISTRICT

GOVERNMENTAL FUND STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES AND STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2023

	<u>General Fund</u>	<u>Adjustments (Note 7)</u>	<u>Statement of Activities</u>
Revenue			
Property taxes	\$ 2,418,868	\$ -	\$ 2,418,868
Interest	60,239	-	60,239
Other	16,331	-	16,331
Total revenue	<u>2,495,438</u>	<u>-</u>	<u>2,495,438</u>
Expenditures			
Salaries, wages, payroll taxes and benefits	1,648,433	(75,833)	1,572,600
Chemicals	119,744	-	119,744
Communications	16,345	-	16,345
Insurance	79,357	-	79,357
Repairs and maintenance	57,710	-	57,710
Memberships and publications	8,823	-	8,823
Office	62,477	-	62,477
Professional services	43,908	-	43,908
Special district expenditures	90,803	-	90,803
Materials and supplies	14,979	-	14,979
Travel and transportation	16,367	-	16,367
Gas and petroleum	24,597	-	24,597
Utilities	23,606	-	23,606
Capital outlay	260,513	(260,513)	-
Depreciation	-	75,723	75,723
Total expenditures	<u>2,467,662</u>	<u>(260,623)</u>	<u>2,207,039</u>
Excess (deficiency) of revenue over expenditures	27,776		-
Change in net position		260,623	288,399
Fund Balances/Net Position			
Beginning of year	3,478,785	(545,015)	2,933,770
End of year	<u>\$ 3,506,561</u>	<u>\$ (284,392)</u>	<u>\$ 3,222,169</u>

FRESNO MOSQUITO AND VECTOR CONTROL DISTRICT

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND YEAR ENDED JUNE 30, 2023

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenue				
Property taxes	\$ 2,178,658	\$ 2,178,658	\$ 2,418,868	\$ 240,210
Interest	25,000	25,000	60,239	35,239
Other	<u>-</u>	<u>-</u>	<u>16,331</u>	<u>16,331</u>
Total revenue	<u>2,203,658</u>	<u>2,203,658</u>	<u>2,495,438</u>	<u>291,780</u>
Expenditures				
Salaries, wages, payroll taxes and benefits	1,695,696	1,695,696	1,648,433	47,263
Chemicals	120,000	120,000	119,744	256
Communications	14,500	14,500	16,345	(1,845)
Insurance	41,061	41,061	79,357	(38,296)
Repairs and maintenance	33,000	33,000	57,710	(24,710)
Memberships and publications	24,000	24,000	8,823	15,177
Office	22,000	22,000	62,477	(40,477)
Professional services	35,000	35,000	43,908	(8,908)
Special district expenditures	68,500	68,500	90,803	(22,303)
Materials and supplies	23,000	23,000	14,979	8,021
Travel and transportation	16,000	16,000	16,367	(367)
Gas and petroleum	50,000	50,000	24,597	25,403
Utilities	18,000	18,000	23,606	(5,606)
Capital Outlay	<u>38,500</u>	<u>38,500</u>	<u>260,513</u>	<u>(222,013)</u>
Total expenditures	<u>2,199,257</u>	<u>2,199,257</u>	<u>2,467,662</u>	<u>(268,405)</u>
Net Change in Fund Balance	<u>\$ 4,401</u>	<u>\$ 4,401</u>	27,776	<u>\$ 23,375</u>
Fund Balance				
Beginning of year			<u>3,478,785</u>	
End of year			<u>\$ 3,506,561</u>	

FRESNO MOSQUITO AND VECTOR CONTROL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 1 – Summary of Significant Accounting Policies

The accounting and reporting policies of the Fresno Mosquito and Vector Control District (“District”) conform to accounting principles generally accepted in the United States of America as applicable to governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled "Audits of State and Local Governmental Units" and by the Financial Accounting Standards Board (when applicable). The following is a summary of the significant accounting policies:

Reporting Entity - The Fresno Mosquito and Vector Control District is a California special district formed in 1942 for the control and eradication of mosquitoes and other vectors in the City of Fresno and surrounding areas. The District is governed by a Board of Trustees, which consists of five members.

Government-Wide and Fund Financial Statements - The government-wide financial statements, which are the statement of net assets and the statement of activities, report information on all of the activities of the District. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities or discretely presented component units and therefore, the statements reflect only activity from governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational and capital requirement of a particular function. Taxes and other items are reported as general revenue.

Fund financial statements display information about major funds individually and non-major funds in the aggregate for governmental funds. The District has only one governmental fund and reports it as a major governmental fund as follows:

Governmental Fund Type:

General Fund – The primary fund of the District is used to account for all revenue and expenditures of the District not legally restricted as to use.

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. Revenue is 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

FRESNO MOSQUITO AND VECTOR CONTROL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as they are both measurable and available. Revenue is considered to be collectible when it is collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the District considers property taxes and other revenue to be available in the period for which levied if it is collected within 60 days after 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.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenue in the current period.

Cash and Investments – Cash deposits consist of demand deposits with financial institutions and cash held by fiscal agents.

Receivables and Payables - Billed but unpaid services provided to individuals or non-governmental entities are recorded as accounts receivable.

Fresno County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions. Property taxes are levied in equal installments on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. The lien date is March 1 of each year. Property taxes are accounted for in the General Fund. Property tax revenues are recognized when they become measurable and available to finance current liabilities. The District considers property taxes as available if they are collected within 60 days after year end. Property tax on the unsecured roll are due on the March 1 lien date and become delinquent if unpaid on August 31. However, unsecured property taxes are not susceptible to year end accrual.

Capital Assets - Capital outlays are recorded as expenditures of the General Fund and as assets in the Statement of Net Assets to the extent the District's capitalization threshold is met.

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns in the Government-Wide Financial Statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of five years. 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. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

FRESNO MOSQUITO AND VECTOR CONTROL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Buildings, structures and improvements	40
Equipment and vehicles	7
Office equipment	5

Compensated Absences – Accumulated unpaid vacation is accrued when benefits vest to employees and the unpaid liability is reflected as compensated absences payable. Sick leave does not vest to the employees and is not accrued.

Fund Balance – In the fund financial statements, governmental fund balance is made up of the following components:

- Nonspendable fund balance typically includes inventories, prepaid items, and other items that must be maintained intact pursuant to legal or contractual requirements, such as endowments.
- Restricted fund balance category includes amounts that can be spent only for specific purposes imposed by creditors, grantors, contributors, or laws or regulations of other governments or through enabling legislations.
- Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District Board. The District Board has the authority establish, modify, or rescind a fund balance commitment.
- Assigned fund balance are amounts designated by the District Board for specific purposes and do not meet the criteria to be classified as restricted or committed.
- Unassigned fund balance is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the District’s policy is to apply restricted first. When expenditures are incurred for purposes for which committed, assigned, or unassigned fund balances are available, the District’s policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

FRESNO MOSQUITO AND VECTOR CONTROL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

Net Position – The fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net Investment In Capital Assets** – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- **Restricted Net Assets** – This category presents external restrictions on net assets imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Assets** – This category represents net assets of the District, not restricted for any project or other purpose.

Budgetary Information – The District budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. The District Manager is required to prepare and submit to the District Board the annual budget of the District and administer it after adoption. District Board approval is required for budget revisions that affect the total appropriations of the District.

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

Pension – For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District’s Fresno County Employees’ Retirement Association (FCERA) plan and additions to/deduction from the Plan’s fiduciary net position have been determined on the same basis as they are reported by FCERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

FRESNO MOSQUITO AND VECTOR CONTROL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 2 – Cash and Investments

The District's bank deposits at year end totaled \$233,054 in demand deposits and \$500 in petty cash. Additionally, the District pools its cash and investments with the County of Fresno. The District uses the County of Fresno as a fiscal agent for processing all cash receipts and disbursements. Although the County maintains separate fund accounts for the District, the cash is not segregated, but rather commingled with other County funds and investments. Fiscal agent cash at year end was \$3,132,760. Additionally, as a member of two separate joint power agency insurance groups, the District has unobligated funds of \$213,292 on deposit. These funds have been committed by the District for insurance needs.

Cash and investments as of June 30, 2023 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	<u>\$ 3,579,606</u>
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Cash and investments as of June 30, 2023 consist of the following:

County of Fresno's Pooled Cash	\$ 3,132,760
Deposits with Financial Institution	233,054
Petty Cash	500
Deposits with JPA's	<u>213,292</u>
Total Cash and Investments	<u>\$ 3,579,606</u>

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2: Inputs to valuation methodology include inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within a fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

FRESNO MOSQUITO AND VECTOR CONTROL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 2 – Cash and Investments (continued)

The District is considered to be an involuntary participant in an external investment pool, which is under the direct authority of the Fresno County Treasurer and Tax Collector and governed by the California Government Code. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

The District's only investments, which are allocated at fair value, are in the County of Fresno Treasurer's Investment Pool. The County invests in numerous types of investments ranging all levels in the fair value hierarchy. Accordingly, it is not an investment type that can be categorized in any particular level in the fair value hierarchy.

Investments Authorized by the California Government Code

The District is authorized under the California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Limitations as they related to interest rate risk, credit risk, and concentration of credit risk are described below:

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 to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains an investment with the Vector Control Joint Powers Authority.

Disclosures Relating to 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.

FRESNO MOSQUITO AND VECTOR CONTROL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 2 – Cash and Investments (Continued)

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. District investments that are greater than 5 percent of total investments are in external investment pools and are therefore exempt.

Custodial Credit Risk

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 its deposits or will not be able to recover collateral securities that are in the possession of an outside 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, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). 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 District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

The custodial 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 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 investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

FRESNO MOSQUITO AND VECTOR CONTROL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 3 – Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2023</u>
Capital assets, not being depreciated				
Land	\$ 60,000	\$ -	\$ -	\$ 60,000
Capital assets, being depreciated				
Buildings and improvements	329,369	3,209	-	332,578
Machinery and equipment	<u>670,402</u>	<u>257,304</u>	<u>(8,171)</u>	<u>919,535</u>
Total capital assets, being depreciated	<u>999,771</u>	<u>260,513</u>	<u>(8,171)</u>	<u>1,252,113</u>
Less accumulated depreciation for:				
Buildings and improvements	(256,215)	(9,365)	-	(265,580)
Machinery and equipment	<u>(485,654)</u>	<u>(66,358)</u>	<u>8,171</u>	<u>(543,841)</u>
Total accumulated depreciation	<u>(741,869)</u>	<u>(75,723)</u>	<u>8,171</u>	<u>(809,421)</u>
Total capital assets, being depreciated, net	<u>257,902</u>	<u>184,790</u>	<u>-</u>	<u>442,692</u>
Governmental activities capital assets, net	<u>\$ 317,902</u>	<u>\$ 184,790</u>	<u>\$ -</u>	<u>\$ 502,692</u>

Note 4 – Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports \$1,018,426 in deferred outflows related to net pension liability and are only reported in the Government-wide Statement of Net Position, which are described in Note 5.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports \$137,720 in deferred inflows related to net pension liability and are only reported in the Government-wide Statement of Net Position, which are described in Note 5.

FRESNO MOSQUITO AND VECTOR CONTROL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 5 – Pension Plan

General Information about the Pension Plan

Plan description – The District participates in the County of Fresno retirement program. All full-time employees enter the plan after 30 days of employment. Current plan contribution rates for the District are 50.81% for Tier 1 members and 37.86% for Tier 5 members. Additionally, the employees make a participating contribution based upon their age. The County of Fresno should be contacted directly for further information regarding the pension plan.

Benefits provided – FCERA provides retirement, disability, death and survivor benefits to eligible employees. All regular full-time employees and permanent part-time employees who work 50% or more for the County of Fresno or the other participating agencies become members of FCERA effective on the first day or the first full pay period after employment in a permanent position.

The Plans' provisions and benefits in effect at June 30, 2023, are summarized as follows:

	General	
	Prior to January 1, 2013	On or after January 1, 2013
Hire Date		
Benefit Formula	2.5% at 55; maximum 3% COLA	2.5% at 67; no COLA
Benefit Vesting Schedule	Highest 1-year	Highest 3-years
Benefit Payments	monthly for life	monthly for life
Retirement Age	50-55	52-67
Monthly Benefits, as a % of Eligible Compensation	2.50%	2.50%
Required Employee Contribution Rates	10.05-10.65%	8.01%
Required Employer Contribution Rates	50.81%	37.86%

Contributions – The District and other participating agencies contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contributions are adopted annually based upon recommendations received from FCERA's actuary after the completion of the annual actuarial valuation.

For the year ended June 30, 2023, the contributions recognized as part of the pension expense is as follows:

Contributions – employer	\$ 324,904
Contributions – employee	\$ 64,747

FRESNO MOSQUITO AND VECTOR CONTROL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 5 – Pension Plan (Continued)

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

As of June 30, 2023, the District reported net pension liabilities for its proportionate share of the net pension liability as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Total Net Pension Liability - General	\$ 1,667,794

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of each Plan is measured as of June 30, 2022, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the Plan as of June 30, 2022 and 2023 was as follows:

	<u>General</u>
Proportion – June 30, 2022	0.128%
Proportion – June 30, 2023	<u>0.168%</u>
Change – Increase/(Decrease)	0.040%

For the year ended June 30, 2023, the District recognized pension expense of \$76,547. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 324,903	\$ -
Changes in proportion and differences between employer's contributions and proportionate share of contributions	61,958	(31,441)
Changes in assumptions or other inputs	141,093	(9,317)
Net differences between projected and actual earnings on pension plan investments	475,001	-
Difference between expected and actual experience in the Total Pension Liability	<u>15,471</u>	<u>(96,962)</u>
Total	<u>\$ 1,018,426</u>	<u>\$ (137,720)</u>

FRESNO MOSQUITO AND VECTOR CONTROL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 5 – Pension Plan (Continued)

\$324,903 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows or resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2024	\$ 154,608
2025	136,200
2026	7,033
2027	257,962
Thereafter	-

Actuarial Assumptions – The total pension liability in the June 30, 2022 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.50%
Inflation	2.50%
Payroll Growth	2.50%
Projected Salary Increase	4.10% to 12% ¹
Investment Rate of Return	6.50% ²
Mortality	RP-2000 Combined Healthy ³ Mortality Table

¹ Varying by service, including inflation

² Net of pension plan investment expenses, including inflation

³ The average of the expected service lives of all employees is determined by:

- Calculating each active employee’s expected remaining service life as the present value of \$1 per year of future service at zero percent interest.
- Setting the remaining service life to zero for nonactive or retired member.
- Dividing the sum of the above amounts by the total number of active employee, nonactive and retired members

The TPL as of June 30, 2022 was remeasured by (1) revaluing the TPL as of June 30, 2021 (before the roll forward) to include the following actuarial assumptions that the Retirement Board has adopted for use in the funding valuation as of June 30, 2022 and (2) using this revalued TPL in rolling forward the results from June 30, 2021 to June 30, 2022. The TPL determined as of June 30, 2022 also included a refinement to the Entry Age Actuarial Cost Method calculation for active members by computing eligibility service using the date of hire or the entry age provided for member contribution rate purposes, whichever is later. Before the refinement, eligibility service used to determine entry age was determined primarily using benefit service.

FRESNO MOSQUITO AND VECTOR CONTROL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 5 – Pension Plan (Continued)

Discount rate – The discount rate used to measure the TPL was 6.50% for both June 30, 2022 and 2021. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of both June 30, 2022 and 2021.

The long-term expected rate of return on pension plan investments was determined in 2021 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption as of June 30, 2022 is summarized in the following table. This information will change every three years based on the actuarial experience study.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Large Cap U.S. Equity	22.5%	5.39%
Small Cap U.S. Equity	5.5%	6.58%
Developed International Large Cap Equity	12.5%	6.39%
Developed International Small Cap Equity	3.0%	5.64%
Emerging Markets Equity	5.5%	8.60%
Core Bonds	15.0%	0.83%
High Yield Bonds	2.0%	3.06%
Global Sovereign ex U.S.	4.0%	-0.73%
Bank Loan	2.0%	2.73%
Local Emerging Market Debt	3.0%	2.20%
Core Real Estate	4.0%	5.01%
Value Add Real Estate	1.5%	7.10%
Opportunistic Real Estate	1.5%	9.80%
Infrastructure	4.0%	7.60%
Private Equity	8.0%	10.00%
Private Credit	6.0%	5.02%
Total	100%	

FRESNO MOSQUITO AND VECTOR CONTROL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 5 – Pension Plan (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District’s proportionate share of the net pension liability for each Plan, calculating using the discount rate of each Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net Pension Liability	\$ 2,924,741	\$ 1,667,794	\$ 636,695

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

Payable to the Pension Plan – At June 30, 2023, the District has no outstanding amount of contributions payable to the pension plan.

Note 6 – Components of Fund Balance

At June 30, 2023, portions of the District’s fund balance are not available for appropriation due to District Trustee action (Committed) or policy and/or intent (Assigned). In connection with the implementation of GASB Statement 54, the following is a summary of the components of fund balance:

	<u>General Fund</u>
Committed:	
Vector Control Joint Powers Authority (VCJPA) Contingency Fund	\$ <u>213,292</u>
Assigned:	
Building Reserve	\$ 750,000
Fleet Replacement Reserve	400,000
Unexpected Expense	<u>250,000</u>
Total Assigned Fund Balance	<u>\$ 1,400,000</u>

FRESNO MOSQUITO AND VECTOR CONTROL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 7 – Reconciliation of Government-Wide and Fund Financial Statements

A) Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

Amounts reported for governmental activities in the Statement of Net Position are different from the fund balance of the General Fund because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the General Fund	\$ 502,692
Contributions in the pension plan in the current fiscal year, changes in proportion and differences between employer's contributions and proportionate share of contributions, and net difference between projected and actual earning on pension plan investments are deferred outflows of resources on the Statement of Net Position	1,018,426
Net pension liability applicable to governmental activities are not due and payable in the current period and accordingly is not reported in the General Fund	(1,667,794)
Net difference between projected and actual earning on pension plan investments and difference between expected and actual experience in the total pension liability are deferred inflows of resources on the Statement of Net Position	<u>(137,720)</u>
Net adjustment to decrease net change in fund balances to arrive at net position of governmental activities	<u>\$ (284,396)</u>

FRESNO MOSQUITO AND VECTOR CONTROL DISTRICT

NOTES TO FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2023

Note 7 – Reconciliation of Government-Wide and Fund Financial Statements (Continued)

B) Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

Amounts reported for governmental activities in the Statement of Activities are different from the governmental fund statement of revenues, expenditures, and changes in fund balance because:

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities and Changes in Net Position the cost of those assets are capitalized as an asset and depreciated over the period of service	\$ 260,513
Pension 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 General Fund	(249,070)
Contributions to the pension plan in the current fiscal year are not included in the Statement of Activities	324,903
Depreciation expense on capital assets is reported in the Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not required as expenditures in the General Fund	<u>(75,723)</u>
Net adjustment to increase net change in fund balances total governmental funds to arrive at change in net position of governmental activities	<u>\$ 260,623</u>

Note 8 – Subsequent Events

The District evaluated subsequent events for recognition and disclosure through October 13, 2023, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2023 that required recognition or disclosure in such financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

FRESNO MOSQUITO AND VECTOR CONTROL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION SCHEDULE OF THE DISTRICT'S PROPRTIONATE SHARE OF THE NET PENSION LIABILITY LAST 10 YEARS* AS OF JUNE 30, 2023

	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered - employee payroll	Proportionate share of the net pension liability as percentage of covered-employee payroll	Plan's fiduciary net position	Plan's fiduciary net position as a percentage of the Total Pension Liability
2015	0.130%	\$ 884,371	\$ 566,316	156.16%	\$ 731,463	82.71%
2016	0.151%	\$ 1,281,908	\$ 653,080	196.29%	\$ 1,014,502	79.14%
2017	0.117%	\$ 1,787,578	\$ 469,250	380.94%	\$ 1,300,821	72.77%
2018	0.135%	\$ 1,762,384	\$ 538,972	326.99%	\$ 1,365,143	77.46%
2019	0.134%	\$ 1,588,616	\$ 593,152	267.83%	\$ 1,276,612	80.36%
2020	0.127%	\$ 1,439,355	\$ 601,002	239.49%	\$ 1,174,226	81.58%
2021	0.123%	\$ 1,705,539	\$ 614,392	277.60%	\$ 1,332,026	78.10%
2022	0.128%	\$ 596,101	\$ 643,272	92.67%	\$ 555,268	93.15%
2023	0.168%	\$ 1,667,794	\$ 674,738	247.18%	\$ 1,361,754	81.65%

*Fiscal year 2014-15 was the first year of implementation, therefore only nine years are shown

FRESNO MOSQUITO AND VECTOR CONTROL DISTRICT

REQUIRED SUPPLEMENTAL INFORMATION SCHEDULE OF CONTRIBUTIONS LAST 10 YEAR* AS OF JUNE 30, 2023

	Contractually required contribution (actuarially determined)	Contributions in relation to the actuarially determined contributions	Contributions deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll
2015	\$ 215,670	\$ (215,670)	\$ -	\$ 566,316	38.08%
2016	\$ 179,308	\$ (179,308)	\$ -	\$ 653,080	27.46%
2017	\$ 257,173	\$ (257,173)	\$ -	\$ 469,250	54.81%
2018	\$ 283,461	\$ (283,461)	\$ -	\$ 538,972	52.59%
2019	\$ 282,210	\$ (282,210)	\$ -	\$ 593,152	47.58%
2020	\$ 295,071	\$ (295,071)	\$ -	\$ 601,002	49.10%
2021	\$ 349,925	\$ (349,925)	\$ -	\$ 614,392	56.95%
2022	\$ 326,709	\$ (326,709)	\$ -	\$ 643,272	50.79%
2023	\$ 324,903	\$ (324,903)	\$ -	\$ 674,738	48.15%

*Fiscal year 2014-15 was the first year of implementation, therefore only nine years are shown.

**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***

To the Board of Trustees
Fresno Mosquito and Vector Control District

We have audited, 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, the financial statements of the Fresno Mosquito and Vector Control District (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 13, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

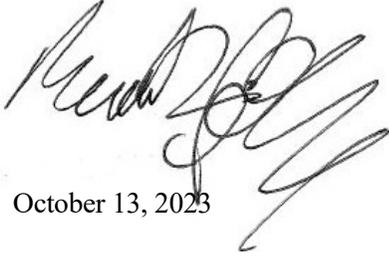
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 financial statements. 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to be 'M. J. [unclear]', written over a faint, illegible stamp.

October 13, 2023