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LEGAL ADVISOR  
CHRISTOPHER K. ELEY

February 2, 2015

Trisa L. Martinez  
Judicial Secretary/Grand Jury Staff Secretary  
Superior Court of California  
San Joaquin County Grand Jury  
222 E. Weber Ave. Room 605  
P.O. Box 201022  
Stockton, CA 95202

Re: Requested information from 2013-2014 Grand Jury Recommendations

Dear Ms. Martinez,

The following responds to the Grand Jury's request for information in response to the 2013-2014 Grand Jury report:

1) **Prior to October 1, 2014, the District adopt a Fund Balance Policy.**

The San Joaquin County Mosquito and Vector Control District Board (per resolution) adopts the annual budget that includes fund designation, fund description and associated balances. Attached is a copy of the FY2014-15 resolution. This resolution follows the guide-lines as described in the District's - "Summary of Significant Accounting Policies" page 20, under the heading - fund balance. This information was also provided in latest Auditor's report ending June 30, 2014, under "Notes to Financial Statements". (Attachments)

2) **Prior to October 1, 2014, the District add the Fiscal Year 2012-2013 audited financial reports to its website.**

The District's financial audit report for FY 2012-13 was posted on our website; however, we have modified from its original placement which was located under the heading "Board Information". It is now available under the heading "Quick Links". The latest Audit Report (FY 2013-14) is now available on the web-site.

Please do not hesitate to contact me at 209-982-4675 if you have any questions or require additional information.

Sincerely,

Eddie Lucchesi  
Manager

Cc: Christopher Eley, District Legal Counsel

RESOLUTION OF THE BOARD OF TRUSTEES OF THE  
SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
APPROVING THE FISCAL YEAR 2014-15 BUDGET AND RELATED FUND  
DESIGNATIONS AND BALANCES

APPROVAL OF BUDGET

WHEREAS, the FY2014-15 budget and related fund designations and balances of the San Joaquin County Mosquito and Vector Control District (the District) have been prepared by the District Manager and recommended for adoption by the Board of Trustees' Budget Committee.

NOW THEREFORE IT IS RESOLVED, that the FY2014-15 budget of the District presented as schedule A to this resolution, is hereby approved; and

BE IT FURTHER RESOLVED that the Board of Trustees hereby recognizes the following fund designations and fund balances effective July 1, 2014:

<u>Fund designation</u>	<u>Fund description and associated balance(s)</u>
55401	General Fund: which includes an unallocated general reserve (designated as 55401-101) of \$3,665,065.00 for financing of maintenance and operations between receipt of periodic property tax revenue allocations from the SJC Auditor-Controller
55402	Benefit Assessment Fund: which includes revenue from the MOSQUITO, VECTOR AND DISEASE CONTROL BENEFIT ASSESSMENT
55411	Contingency Fund (restricted): \$1,132,684.00
55412	General Reserve Fund (restricted): \$2,050,000.00, consisting of \$1,500,000.00 for public health emergencies (designated as 55412-101), \$420,000.00 for capital and asset preservation (designated as 55412-102), and \$130,000.00 for accrued employee leave (designated as 55412-103)

BOARD OF TRUSTEES

AYES Jay Colombini, CHET MILLER, OMAR KHWEISS, MARK WARNERDAM, FRANCIS GROEN, GREG O'LEARY, JACK SNYDER, JOY MEEKER, GARY LAMBDA

NOES \_\_\_\_\_

ABSENT MIKE MANNA, JACK FIORI

ABSTAIN \_\_\_\_\_

SIGNED: Mark Warner  
MARK WARNERDAM, PRESIDENT

ATTEST: Joy Meeker  
JOY MEEKER, BOARD SECRETARY

DATE: 7-15-2014

# SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

## Notes to Financial Statements

June 30, 2014

### Note A – Summary of Significant Accounting Policies

This summary of significant accounting policies of San Joaquin County Mosquito and Vector Control District (the District) is presented to assist in understanding the District's financial statements.

#### Description of the reporting entity

The District was formed in 1945 and operates under the California Health and Safety Code for the purpose of mosquito and vector control in San Joaquin County.

District management considered all potential component units for inclusion in the reporting entity by applying the criteria set forth in accounting principles generally accepted in the United States of America. The District concluded that there are no potential component units which should be included in the reporting entity.

#### Government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenues not classified as program revenues are presented as general revenues.

#### Fund financial statements

The fund financial statements provide information about the District's funds. The District has one type of fund (governmental), which is comprised of one major fund as follows.

General fund – This fund is established to account for resources devoted to financing the general services that the District performs. Property taxes, special taxes and other sources of revenue used to finance the fundamental operations of the District are included in this fund. This fund is charged with all costs of operating the District for which a separate fund has not been established.

(Continued)

# SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

## Notes to Financial Statements

June 30, 2014

### Note A – Summary of Significant Accounting Policies (Continued)

#### Measurement focus, basis of accounting, and financial statement presentation

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

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 District considers revenues to be available if they are collected within 45 days of the end of the current fiscal period and apply to the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to the long-term portion of compensated absences and retiree health insurance are recorded only when payment is due.

Property taxes, special taxes, interest, property tax relief, charges for services and operating grants and contributions 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. All other revenue items are considered to be measurable and available only when cash is received by the District.

#### Inventory

The District's inventory, which includes mosquito and vector control chemicals, is stated at the lower of cost or market using the first-in, first-out (FIFO) method of valuation.

#### Capital assets

All capital assets are valued at historical cost. The District's policy is to capitalize all assets with costs exceeding certain minimum thresholds and with useful lives exceeding two years.

All capital assets with limited useful lives are depreciated over their estimated useful lives. Depreciation has been provided on capital assets and is charged as an expense against operations each year. The total amount of depreciation taken over the years is reported on the balance sheet as a reduction in the book value of capital assets.

(Continued)

SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

Notes to Financial Statements

June 30, 2014

Note A – Summary of Significant Accounting Policies (Continued)

Depreciation is provided using the straight line method which means the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The District has assigned the following useful lives listed below to capital assets.

Buildings and improvements	10-45 years
Rolling equipment	5 years
Office furniture and equipment	5-10 years
Other equipment	3-10 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Long-lived assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Net position

Equity in the government-wide statements is classified as net position and displayed in three components as follows:

Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consists of restricted assets reduced by liabilities and deferred inflows of resources related to these assets.

Unrestricted net position – Amounts not required to be reported in other components of net position.

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

(Continued)

# SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

## Notes to Financial Statements

June 30, 2014

### Note A – Summary of Significant Accounting Policies (Continued)

#### Fund balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components: nonspendable, restricted, committed, assigned and unassigned.

**Nonspendable** – Amounts that cannot be spent because they are either not in spendable in form or are legally or contractually required to be maintained intact.

**Restricted** – Amounts constrained regarding use from restrictions externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or by restrictions imposed by law through constitutional provisions or enabling legislation.

**Committed** – Amounts constrained regarding use for specific purposes pursuant to requirements imposed by formal action of the District's highest level of decision making authority.

**Assigned** – Amounts constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The intent can be established at either the highest level of decision making, or by a body or an official designated for that purpose.

**Unassigned** – Amounts that have not been restricted, committed or assigned to specific purposes within the general fund. The general fund is the only fund that reports a positive unassigned fund balance amount. Other governmental funds besides the general fund can only report a negative unassigned fund balance amount.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use it is the District's policy to use committed resources first, then assigned, and then unassigned as they are needed.

#### Property taxes

Property taxes were levied January 1, 2013 and were payable in two installments on December 12, 2013 and April 10, 2014. The County of San Joaquin bills and collects property taxes on behalf of the District.

#### Estimates

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

(Continued)

SAN JOAQUIN COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT

Notes to Financial Statements

June 30, 2014

Note A – Summary of Significant Accounting Policies (Continued)

New accounting pronouncements

GASB Statement No. 68

In June 2013, GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*. This Statement replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of GASB Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of GASB Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The scope of this Statement addresses accounting and financial reporting for substantially all pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a nonemployer entity has a legal requirement to make contributions directly to a pension plan.

The District will be required to implement the provisions of this Statement for the year ending June 30, 2015, with the provisions of the Statement required to be applied retroactively. The District expects to recognize additional liabilities for outstanding defined pension benefit obligations upon the implementation of this Statement.