

**CONTRA COSTA MOSQUITO AND
VECTOR CONTROL DISTRICT**

CONCORD, CALIFORNIA

BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2005

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CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

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**CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
ELECTED OFFICIALS AND MANAGEMENT TEAM
JUNE 30, 2005**

BOARD OF TRUSTEES

Russ Belleci
Nancy Brownfield
Jon Elam
Jim Fitzsimmons
Heather Gibson
Richard Head
Kaleinani Lau
Jeannette Mahoney
Richard H. Mank
Tim McDonough
Richard Means
Earl Mortenson
Daniel Pellegrini
Myrto Petreas
James Pinckney
John Poon
Jose Saavedra
Ronald Tervelt
Dick Vesperman
Diane Wolcott

MANAGEMENT TEAM

Craig Downs, General Manager
Ray Waletzko, Administrative and Finance Manager

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**INDEPENDENT AUDITORS' REPORT ON
BASIC FINANCIAL STATEMENTS**

Board of Trustees
Contra Costa Mosquito and
Vector Control District
Concord, California

We have audited the basic financial statements of the governmental activities and each major fund of the Contra Costa Mosquito and Vector Control District, California, as of and for the year ended June 30, 2005, 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 generally accepted auditing standards in the United States of America and the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance as to 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 basic financial statements referred to above present fairly in all material respects the respective financial position of the governmental activities and each major fund of the Contra Costa Mosquito and Vector Control District, California, as of June 30, 2005, and the respective changes in financial position thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and we express no opinion on it.

Mage + Associates

October 6, 2005

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October 6, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Contra Costa Mosquito and Vector Control District's (the District) basic financial statements presents management's overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2005. We encourage the reader to consider the information represented here in conjunction with the financial statements as a whole.

Introduction to the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's audited financial statements, which are comprised of the basic financial statements (pages 8-22). This annual report is prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Decision and Analysis – for States and Local Governments*. The Single Governmental Program for Special Purpose Governments reporting model is used which best represents the activities of the District.

The required financial statements include the Combined Government-wide and Fund Financial statements; Statement of Net Assets and Governmental Funds Balance Sheet; Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances; and the Statement of Revenues, Expenditures and Changes in Fund Balances-Budget and Actual-General Fund.

These statements are supported by notes to the financial statements. All sections must be considered together to obtain a complete understanding of the financial picture of the District.

The Basic Financial Statements

The Basic Financial Statements comprise the Combined Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the District's financial activities and financial position.

The Government-wide Financial Statements provide a longer-term view of the District's activities as a whole, and comprise the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of the District as a whole, including all of its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all of the District's revenues and all of its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of the District's programs. The Statement of Activities explains in detail the change in Net Assets for the year.

All of the District's activities are grouped into Government Activities, as explained below.

The Fund Financial Statements report the District's operations in more detail than the Government-wide statements and focus primarily on the short-term activities of the District's General Fund and other Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for the major financial activities of the District and are presented individually. Major Funds are explained below.

The Government-wide Financial Statements

Government-wide financial statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the District as a whole.

The Statement of Net Assets and the Statement of Activities present information about the following:

Governmental Activities – The District’s basic services are considered to be governmental activities. These services are supported by general District revenues such as taxes, and by specific program revenues such as contract fees and charges.

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the District’s most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually, with all Non-major funds summarized and presented only in a single column. Major Funds present the major activities of the District for the year, and may change from year to year as a result of changes in the pattern of the District’s activities.

In the District’s case, all of its funds have been determined by management to be major funds.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Comparisons of Budget and Actual financial information are presented only for the General Fund as required by GASB 34. Comparative analysis will be provided in future years when prior year information is available.

Government-Wide Financial Highlights

The District’s financial results were largely impacted by the increase in property taxes as a result of increased assessed valuations. The following are some of the key highlights for the period ending June 30, 2005.

- 1 As the California legislature struggled to balance the State budget there was much discussion of a potential shift of District property taxes to the State; in the form of the Educational Revenue Augmentation Fund (ERAF). As the District budget was adopted by the Board of Trustees prior to the State of California adopting a budget, it was decided that it was practical to adopt a District budget with a projected loss of \$671,474 of District property taxes. Fortunately, no shift of special district revenues occurred, and we retained all of the property tax revenues collected on behalf of the District for FY 04/05.
- 2 Total assets, excluding capital assets, increased by approximately \$400,000. Capital assets remained relatively unchanged
- 3 Current Liabilities increased \$13,166 due to an accrued disbursement, while Long Term Liabilities decreased \$270,000 for payment of debt service.

- 4 In the Fiscal Year ending June 30, 2005 the District's total net assets increased by \$630,101.
- 5 Total District revenues, including program and general revenues, were \$4.9 million, an increase of \$380,935 over the prior year. This was due in large part to the increase in property tax growth.
- 6 Total Expenses for the year were \$4,353,871 compared to \$4,130,166 for fiscal year 2003/2004.
- 7 Expenditures were \$88,459 less than budgeted due primarily to overestimation of costs of materials and service contracts.
- 8 The General Fund balance of \$115,946 at the fiscal year end was an increase compared with prior year's fund balance of \$23,160.

Capital Assets

Total Capital Assets (net of Accumulated Depreciation) were recorded at approximately \$3 million. See Note 4 in the accompanying financial statements for more information of current year activity.

Long-Term Debt

A complete detail of all outstanding debt is contained in Note 5 of the accompanying the Financial Statements. As of June 30, 2005 there was \$290 thousand in debt was outstanding.

Requests for Information

This financial report is designed to provide, citizens, customers, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need any additional information, contact the District at (925) 685-9301.

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Governmental Activities
ASSETS	
Cash and investments (Note 3)	\$4,266,934
Accounts receivable	45,745
Interest receivable	22,856
Prepaid retirement expense	34,486
Deposit with VCJPA (Note 10)	512,747
Capital assets, nondepreciable (Note 4)	778,640
Capital assets, net of accumulated depreciation (Note 4)	2,221,279
Total assets	7,882,687
LIABILITIES	
Accounts payable	13,166
Compensated absences	176,529
Long term debt (Note 5):	
Due within one year	290,000
Total liabilities	479,695
NET ASSETS (Note 7)	
Invested in capital assets, net of related debt	2,709,919
Restricted for:	
Debt service	276,777
Unrestricted net assets	4,416,296
Total net assets	\$7,402,992

See accompanying notes to financial statements

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Change in Net Assets
			Governmental Activities
Governmental Activities:			
District management	\$4,015,874	\$79,485	(\$3,936,389)
Emergency Mosquito Control	302,997		(302,997)
Interest and related fees (Note 5)	35,000		(35,000)
Total Governmental Activities	\$4,353,871	\$79,485	(4,274,386)
General revenues:			
Property taxes (Note 2. C.)			3,063,762
Benefit assessments			1,674,818
Medical insurance reimbursements			12,247
Interest			75,813
Miscellaneous			77,847
Total general revenues			4,904,487
Change in Net Assets			630,101
Net Asset - Beginning			6,772,891
Net Assets - Ending			\$7,402,992

See accompanying notes to financial statements

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
 GOVERNMENTAL FUNDS
 BALANCE SHEET
 JUNE 30, 2005

	General	LAIF	VCJPA	Environmental Projects	Debt Service	Total Governmental Funds
ASSETS						
Cash and investments (Note 3)	\$48,881	\$3,366,113		\$49,924	\$802,016	\$4,266,934
Accounts receivable	45,745					45,745
Interest receivable		22,856				22,856
Prepaid retirement expense	34,486					34,486
Deposit with VCJPA (Note 10)			\$512,747			512,747
Total Assets	\$129,112	\$3,388,969	\$512,747	\$49,924	\$802,016	\$4,882,768
LIABILITIES						
Accounts payable	\$13,166					\$13,166
Total Liabilities	13,166					13,166
FUND BALANCES						
Fund balance (Note 7)						
Reserved for:						
Debt service (Note 7)					\$276,777	276,777
Unreserved:						
Designated for:						
Board Approved Projects (Note 7)		\$1,317,385				1,317,385
Undesignated, reported in:						
General Fund	115,946					115,946
Special Revenue Funds		2,071,584	\$512,747	\$49,924		2,634,255
Debt Service Fund					525,239	525,239
Total Fund Balances	115,946	3,388,969	512,747	49,924	802,016	4,869,602
Total Liabilities and Fund Balances	\$129,112	\$3,388,969	\$512,747	\$49,924	\$802,016	\$4,882,768

See accompanying notes to financial statements

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
 Reconciliation of the
 GOVERNMENTAL FUNDS -- BALANCE SHEET
 with the
 STATEMENT OF NET ASSETS
 JUNE 30, 2005

Total fund balances reported on the governmental funds balance sheet	\$4,869,602
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Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds.	2,999,919
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LONG TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not reported in the Funds:

Long-term debt	(290,000)
Non-current portion of compensated absences	<u>(176,529)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$7,402,992</u></u>
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See accompanying notes to financial statements

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2005

	General	LAIF	VCJPA	Environmental Projects	Debt Service	Total Governmental Funds
REVENUES						
Property taxes (Note 2.C.)	\$3,063,762					\$3,063,762
Benefit assessment	1,674,818					1,674,818
Contract billing	79,485					79,485
Medical insurance reimbursements	12,247					12,247
Interest income		\$57,150	\$7,803		\$10,860	75,813
Other	42,539		15,308	\$20,000		77,847
Total Revenues	4,872,851	57,150	23,111	20,000	10,860	4,983,972
EXPENDITURES						
Salaries	2,001,385					2,001,385
Fringe benefits	866,610					866,610
Agriculture	124,940					124,940
Clothing/personal supplies	38,006					38,006
Communications	17,870					17,870
Household expenses	19,921					19,921
Insurance	184,058					184,058
Equipment maintenance	42,118					42,118
Building maintenance	14,224					14,224
Lab supplies	18,504					18,504
Professional memberships	14,763					14,763
Office expense	32,174					32,174
Professional special services	136,798			7,510		144,308
Publications and legal notices	39,809					39,809
Rents and leases	804					804
Small tools	9,684					9,684
District special expense	24,781					24,781
Transportation/travel	103,557					103,557
Utilities	55,169					55,169
Taxes and assessments	302,431					302,431
Other	953					953
Capital outlay	224,997					224,997
Debt Service:						
Principal					270,000	270,000
Interest and related fees					35,000	35,000
Total Expenditures	4,273,556			7,510	305,000	4,586,066
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	599,295	57,150	23,111	12,490	(294,140)	397,906
OTHER FINANCING SOURCES (USES)						
Transfers in (Note 6)	4,031,000	4,510,000			312,000	8,853,000
Transfers (out) (Note 6)	(4,537,509)	(4,315,491)				(8,853,000)
Total other finance source (uses)	(506,509)	194,509			312,000	
NET CHANGE IN FUND BALANCES	92,786	251,659	23,111	12,490	17,860	397,906
BEGINNING FUND BALANCES	23,160	3,137,310	489,636	37,434	784,156	4,471,696
ENDING FUND BALANCES	\$115,946	\$3,388,969	\$512,747	\$49,924	\$802,016	\$4,869,602

See accompanying notes to financial statements

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT

Reconciliation of the
NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
with the
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Assets of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$397,906
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Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

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

Capital outlay expenditures are added back to fund balance	131,622
Retirements of capital assets	(55,888)
Depreciation expense is deducted from fund balance	(78,453)

LONG TERM DEBT PAYMENTS

Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Fund balance is increased by the amount of debt repayment and refunding	270,000
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NON-CURRENT ITEMS

The amount below included in the Statement of Activities does not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Compensated absences	<u>(35,086)</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$630,101</u></u>
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See accompanying notes to financial statements

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2005

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	\$2,873,909	\$3,063,762	\$189,853
Less: ERAF Shift	(671,474)		671,474
Benefit assessment	1,659,604	1,674,818	15,214
Contracts and other	75,000	79,485	4,485
Medical insurance reimbursements	14,000	12,247	(1,753)
Other	47,800	42,539	(5,261)
	<u>3,998,839</u>	<u>4,872,851</u>	<u>874,012</u>
Total Revenues			
EXPENDITURES			
Salaries	2,007,327	2,001,385	5,942
Fringe benefits	883,822	866,610	17,212
Agriculture	130,000	124,940	5,060
Clothing/personal supplies	37,150	38,006	(856)
Communications	21,000	17,870	3,130
Household expenses	18,500	19,921	(1,421)
Insurance	177,084	184,058	(6,974)
Equipment maintenance	42,200	42,118	82
Building maintenance	15,100	14,224	876
Lab supplies	12,700	18,504	(5,804)
Professional memberships	14,500	14,763	(263)
Office expense	39,650	32,174	7,476
Professional special services	122,550	136,798	(14,248)
Publications and legal notices	43,000	39,809	3,191
Rents and leases	1,500	804	696
Small tools	12,400	9,684	2,716
District special expense	53,900	24,781	29,119
Transportation/travel	112,475	103,557	8,918
Utilities	50,000	55,169	(5,169)
Taxes and assessments	300,000	302,431	(2,431)
Other		953	(953)
Capital outlay	267,157	224,997	42,160
	<u>4,362,015</u>	<u>4,273,556</u>	<u>88,459</u>
Total Expenditures			
NET CHANGE IN FUND BALANCES	<u>(\$363,176)</u>	<u>599,295</u>	<u>\$962,471</u>
OTHER FINANCING SOURCES (USES)			
Transfers in from LAIF (Note 6)		4,031,000	
Transfers (out) to LAIF (Note 6)		(4,537,509)	
Total Other Financing Sources (Uses)		(506,509)	
NET CHANGE IN FUND BALANCE		92,786	
BEGINNING FUND BALANCE		23,160	
ENDING FUND BALANCE		\$115,946	

See accompanying notes to financial statements

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
Notes to Basic Financial Statements
June 30, 2005

NOTE 1 - GENERAL

The Contra Costa Mosquito Abatement District was formed in 1926 and began operations on April 15, 1927. The original district, comprised of approximately 61 square miles, then annexed and merged with other districts to become the county-wide Contra Costa Mosquito Abatement District, effective July 1, 1986. Effective July 1, 1993, Contra Costa County's Vector Control program was merged into Contra Costa Mosquito Abatement District, forming the Contra Costa Mosquito and Vector Control District (the District).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform with accounting principles generally accepted in the United States of America and are applicable to governments. The following is a summary of the significant policies:

A. Basis of Presentation

The District's basic financial statements are prepared in conformity with U.S. generally accepted accounting principles. The Government Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These Statements require that the financial statements described below be presented.

Government-wide Financial Statements: The District's financial statements reflect only its own activities; it has no component units (other government units overseen by the District). The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Fund Financial Statements: Fund Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. General fund operations are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures (or expenses) as appropriate. The District's resources are accounted for based on the purposes for which they are to be spent and the means by which spending activities are controlled. An emphasis is placed on major funds, each of which is displayed in a separate column. The District has elected to show each of its funds as a major fund.

The District reported the following major governmental funds in the accompanying financial statements:

Governmental Funds:

General Fund – The General Fund is the general operating fund of the District. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

LAIF Fund – The LAIF Fund is used to account for the proceeds of specific revenue sources that are legally or otherwise restricted to expenditures for specific purposes.

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
Notes to Basic Financial Statements
June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

VCJPA Fund – The VCJPA Fund accounts for the District’s equity interest in the Vector Control Joint Powers Agency.

Environmental Projects Fund – The Environmental Projects Fund accounts for activities related to long-term control of mosquitoes and other vectors through improved land and water management.

Debt Service Fund – The Debt Service Fund accounts for the reserve fund and payment activity for the 1992 Certificates of Participation.

B. Basis of Accounting

The government-wide, financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual* basis of accounting. Under this method, revenues are recognized when “measurable and available.” The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are property, certain charges for services, and interest revenue.

Non-exchange transactions, in which the District gives or receives value without directly, receiving or giving equal value in exchange, include taxes, grants, entitlements, and donations. On the accrual basis, revenue from taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The District may fund programs with a combination of cost-reimbursement grants, categorically block grants, and general revenues. Thus, both restricted and unrestricted net assets may be available to finance program expenditures. The District’s policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary.

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
Notes to Basic Financial Statements
June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. *Property Taxes*

Property Tax Levy, Collection and Maximum Rates – The State of California (State) Constitution Article XIII (A) provides that the combined maximum property tax rate on any given property may not exceed one percent of its assessed value when an additional amount for general obligation debt has been approved by voters. Assessed value is calculated at 100 percent of market value as defined by Article XIII (A) and may be adjusted by no more than two percent per year unless the property is sold or transferred. The State Legislature has determined the method of distribution of receipts from a one percent tax levy to the counties, cities, school districts and other districts.

The County of Contra Costa is responsible for assessing, collecting and apportioning property taxes for the District. Taxes are levied for each fiscal year on taxable real and personal property situated in the District. The levy is based on the assessed values as of the preceding January 1st, which is also the lien date. State code requires tax rates to be set no later than the first workday in September unless the County of Contra Costa Board of Supervisors elects to extend the deadline to October 3rd. Property taxes on the secured roll are due in two installments: November 1st and February 1st and become delinquent after December 10th and April 10th, respectively. Supplemental property taxes are levied based on changes in assessed values between the date of real property sales or construction and the preceding assessment date. The additional supplemental property taxes are prorated from the first day of the month following the date of such occurrence. Property taxes on the unsecured roll are due in the lien date (January 1st), and become delinquent if unpaid by August 31st.

D. *Budgets and Budgetary Accounting*

The District follows the procedures established by the State of California for special districts in establishing the budgetary data reflected in the financial statements.

During the year, the General Fund was the only fund for which a budget was required. The budget was prepared on the cash basis. Differences between the cash basis budget and the modified accrual financial records are not considered to be material.

E. *Fund Balance*

Reserved Fund Balance indicates the portion of fund equity which has been legally segregated for specific purposes.

F. *Accumulated Compensated Absences*

Compensated absences are comprised of unpaid vacation. Vacation is accrued as earned and sick leave is not accrued since it does not vest. The General Fund has been used to liquidate compensated absences.

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
Notes to Basic Financial Statements
June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Use of Estimates

The Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those amounts.

NOTE 3 - CASH AND INVESTMENTS

A. Policies

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the District's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the District's name and places the District ahead of general creditors of the institution.

The District invests in individual investments and in investment pools. Individual investments are evidenced by specific identifiable *securities instruments*, or by an electronic entry registering the owner in the records of the institution issuing the security, called the *book entry* system. In order to increase security, the District employs the Trust Department of a bank as the custodian of certain District managed investments, regardless of their form.

The District's investments are carried at fair value, as required by generally accepted accounting principles. The District adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

The District's cash and investments consist of the following at June 30, 2005:

Cash on hand	\$300
Carrying amount of deposits	48,581
Carrying value of investments	
Local Agency Investment Fund	3,416,037
United States Treasury Money Market Funds, held by Trustee	802,016
Total cash and investments	\$4,266,934

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
Notes to Basic Financial Statements
June 30, 2005

NOTE 3 - CASH AND INVESTMENTS (Continued)

B. Investments Authorized by the California Government Code and the District's Investment Policy

The District's Investment Policy and the California Government Code allow the District to invest in the following, provided the credit ratings of the issuers are acceptable to the District, and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the District's Investment Policy where the District's Investment Policy is more restrictive.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Investment Fund	Upon Demand	N/A	None	100%
Interest Bearing Checking Account	N/A	N/A	None	100%
United States Treasury Money Market Certificates of Deposit	N/A	N/A	None	10%
Certificates of Deposit	5 years	IUQCI* of 85	None	\$100,000
U.S. Treasury Bills and Notes	5 years	N/A	None	100%
U.S. Government and Agency Securities	5 years	N/A	None	100%
Bankers Acceptances	180 days	Moody's A	40%	10%
Commercial Paper	180 days	Moody's A	15%	10%
Repurchase Agreements	30 days	N/A	20%	100%
Medium Term Notes	5 years	Moody's AA	30%	10%
Negotiable Certificates of Deposit	2 years	Moody's A+	30%	10%

*Irwin Union Quality Code Index

C. Authorized Investments by Debt Agreements

The District must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are pledged reserves to be used if the District fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with District resolutions, bond indentures or State statutes. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Maximum Credit Quality
U.S. Treasury Obligations	None	None
Mortgage Pass-Through Securities	None	None
Debentures	None	None
Commercial Paper	92 days	Highest rating category
Interest bearing demand or time deposits	366 days	A1+
Money Market Mutual Funds		AAA

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
Notes to Basic Financial Statements
June 30, 2005

NOTE 3 - CASH AND INVESTMENTS (Continued)

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity is of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District generally manages its interest rate risk by holding investments to maturity.

All of the District's investments, including investments held by bond trustees, mature in less than twelve months.

The District is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The District reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are maintained on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2005, these investments matured in an average of 151 days.

E. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The U.S. Treasury money market mutual funds held by the trustee were rated AAA by Standard & Poor's at June 30, 2005. All other investments carried by the District are not required to be rated.

NOTE 4 - CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

GASB Statement No. 34 requires that all capital assets with limited useful lives be depreciated over their estimated useful lives.

The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
Notes to Basic Financial Statements
June 30, 2005

NOTE 4 – CAPITAL ASSETS (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. Total depreciation expense for the year was \$295,497 which is entirely allocated to the District Management function. The District has assigned the useful lives listed below to capital assets:

Buildings	30 years
Landscaping	10 years
Vehicles, trailers and boats	8 years
Field and operations equipment	8 - 10 years
Office and administrative equipment	3-20 years
Office furniture	10 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Capital assets with a value of \$5000 or more and with a useful life of one year or more are capitalized.

A. Capital Assets Additions and Retirements

Capital assets at June 30, 2005 comprise the following:

	Balance June 30, 2004	Additions	Retirements	Balance June 30, 2005
<i>Governmental activities</i>				
Capital assets not being depreciated:				
Land	\$778,640			\$778,640
Total capital assets not being depreciated	778,640			778,640
Capital assets being depreciated:				
Building	3,863,180			3,863,180
Landscaping	26,226			26,226
Vehicles, trailers and boats	894,623	\$111,347	(\$37,376)	968,594
Field and operations equipment	154,858	8,011	(1,471)	161,398
Office and admin equipment	35,322	12,264	(17,041)	30,545
Office furniture	78,869			78,869
Total capital assets being depreciated	5,053,078	131,622	(55,888)	5,128,812
Less accumulated depreciation for:				
Building	(2,034,372)	(126,160)		(2,160,532)
Landscaping	(26,226)			(26,226)
Vehicles, trailers and boats	(659,422)	(127,587)	199,653	(587,356)
Field and operations equipment	(51,995)	(13,212)		(65,207)
Office and admin equipment	(12,809)	(20,299)	17,041	(16,067)
Office furniture	(44,256)	(7,889)		(52,145)
Total accumulated depreciation	(2,829,080)	(295,147)	216,694	(2,907,533)
Total depreciable assets	2,223,998	(163,525)	160,806	2,221,279
Total assets	\$3,002,638			\$2,999,919

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
Notes to Basic Financial Statements
June 30, 2005

NOTE 5 – LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2005 is shown below:

	Original Issue Amount	Balance June 30, 2004	Retirements	Balance June 30, 2005 Due within one year
1992 Certificates of Participation	\$2,805,000	<u>\$560,000</u>	<u>\$270,000</u>	<u>\$290,000</u>

On September 25, 1992, the District issued \$2,805,000 in Certificates of Participation to refund the 1987 Certificates of Participation. The original Certificates of Participation were issued to pay for certain capital improvements. The Certificates bear interest at 6.25% and mature on February 1, 2006.

NOTE 6 – INTER-FUND TRANSFERS

The District made various inter-fund transfers as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$4,031,000	\$4,537,509
LAIF Special Revenue Fund	4,510,000	4,315,491
Debt Service Fund	312,000	
	<u>\$8,853,000</u>	<u>\$8,853,000</u>

NOTE 7 – FUND BALANCES AND NET ASSETS

A. Net Assets

Net Assets is the excess of all the District's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions under GASB Statement 34. These captions apply only to Net Assets, which is determined only at the District-wide level, and are described below:

Invested in Capital Assets, net of related debt describes the portion of Net Assets which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the District cannot unilaterally alter. These principally include debt service reserves.

Unrestricted describes the portion of Net Assets which is not restricted to use.

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
Notes to Basic Financial Statements
June 30, 2005

NOTE 7 – FUND BALANCES AND NET ASSETS (Continued)
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B. Fund Balance /Net Assets

Fund balances and net assets consist of reserved and unreserved amounts. Reserved fund balances and net assets represent amounts that are legally restricted to a specific use or are not available for appropriation or expenditure. The remainder is unreserved.

C. Reserves

Reserves are restrictions placed by outside entities, such as other governments, which restrict the expenditures of the reserved funds to the purpose intended by the entity which provided the funds, or represent fund balance of assets not available for expenditures. The District cannot modify or remove these reserves. At June 30, 2005, reservations included:

Reserve for **debt service** is fund balance set aside to repay long-term debt.

D. Designations

Designations are imposed by the Board of Trustees to reflect future spending plans or concerns about the availability of future resources. Designations may be modified, amended or removed by Board action.

Designated for **Board Approved Projects** is the portion of fund balance to be used for the following projects:

Emergency Mosquito Control	\$492,385
Emerging Diseases	660,000
Africanized Honey Bees	<u>165,000</u>
	<u><u>\$1,317,385</u></u>

NOTE 8 - PENSION PLAN

The District participates in the Contra Costa County Employees' Retirement Association (CCCERA), a cost-sharing multiple employer defined benefit pension plan. This plan was adopted by Contra Costa under the county Employees' Retirement Law of 1937. Per the actuarial valuation report for the period ended December 31, 2003, provided by the Contra Costa County Auditor-Controller, the plan had the following assets:

Market Value of assets	\$3,313,495,000
Actuarial book value	\$3,550,801,000

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
Notes to Basic Financial Statements
June 30, 2005

NOTE 8 - PENSION PLAN (Continued)

Required contributions for three years ended June 30, 2005 were as follows:

June 30	Employer's Share	Employee Share
2005	\$388,745	\$74,102
2004	379,790	66,757
2003	300,805	32,680

The employee's contribution is based on the age at the time the individual enters the plan. The percentage contributed during the fiscal year ranged from 2.83% to 6.5%. Under the contract agreement with the employees, the District pays 50% of the employees' portion of the required contributions, excluding the cost of living contribution, thereby bringing the employees' regular contribution share to 1.425% to 1.69% of salaries. The plan provides for retirement, disability, death and survivor benefits. Service retirements are based on age, length of service and final average salary. Members may elect service retirement at age of 50 with five years of service credit or with thirty years of service, regardless of age.

Audited annual financial statements and ten-year trend information are available from CCCERA at 1355 Willow Way, Suite 221 Concord, CA 94520-5728.

NOTE 9 – POST EMPLOYMENT BENEFIT OTHER THAN RETIREMENT

In addition to the pension benefits described in the previous note, the District provides post retirement health care benefits to all employees who retire on or after attaining age 50.

All eligible retirees can continue medical coverage with the plans provided for active employees. Currently, 5 retirees meet those eligibility requirements. The District covers up to the lowest cost Health Maintenance Organizations' plan available to retirees.

The District's cost for fiscal year ended June 30, 2005 was \$17,254.

The District cost is reduced to the uncovered Medicare portion when the retiree attains the age of 65.

NOTE 10 – RISK MANAGEMENT

The District participates with other public entities in a joint venture under a joint powers agreement which established the Vector Control Joint Powers Agency (VCJPA) which is a workers compensation and general liability risk pool. The relationship between the District and VCJPA is such that VCJPA is not a component unit of the District for financial reporting purposes. The District reports all of its risk management activities in its VCJPA Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

CONTRA COSTA MOSQUITO AND VECTOR CONTROL DISTRICT
Notes to Basic Financial Statements
June 30, 2005

NOTE 10 – RISK MANAGEMENT (Continued)

The VCJPA is a consortium of thirty-four (34) mosquito abatement or vector control districts in the State of California. It was established under the provisions of California Government Code section 6500 et seq. The VCJPA is governed by a Board of Directors, which meets four times per year, consisting of one member from each of the four regions as well as two trustees of the Mosquito and Vector Control Association of California (MVCAC). A risk management group employed by the VCJPA handles the day-to-day business.

The following is a summary of the insurance policies in force carried by the Authority as of June 30, 2005:

Type of Coverage	District Limits	Deductibles
General Liability	\$1,000,000	none
Excess liability	14,000,000	none
Employment practices	1,000,000	none
Workers' Compensation	350,000	none
Excess workers' compensation	100,000,000	none
Property Damage	10,000	500
Boiler and Machinery	100,000,000	10,000
All-risk property	500,000,000	10,000
Auto physical damage	30,000	500
Group Fidelity	1,000,000	5,000

As defined by Government Accounting Standards Board (GASB) Statement 10, the Vector Control Joint Powers Agency is “a claims servicing or account pool.” VCJPA manages separate accounts for each pool member from whom losses and expenses of that member are paid, up to the retention limit. VCJPA purchases commercial excess insurance. The annual assessment of each member includes allocation for loss payments, expenses and excess insurance premiums.

Annually, VCJPA evaluates the assets of each pool member in comparison with expected future liabilities. The “financial risk position” of each member is determined by subtracting case reserves, claims incurred but not reported amounts and claim development from members’ deposit balances. If a negative risk position is found, a supplemental amount is added to the member’s annual assessment.

In accordance with GASB 10, the District has recorded its deposit with VCJPA as an asset at June 30, 2005. The District had no claims losses outstanding at June 30, 2005. Settled claims for the District have not exceeded coverage in any of the past three years.

Financial statements may be obtained from Vector Control Joint Powers Agency, 1831 K Street, Sacramento, California 95814.

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