

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT**  
**AUDITED FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT**  
**TABLE OF CONTENT**  
**JUNE 30, 2019**

	<u>Page</u>
<b>Independent Auditor's Report</b> .....	01
<b>Management's Discussion and Analysis</b> .....	04
<b>Basic Financial Statements</b>	
Government - wide Financial Statements:	
Statement of Net Position.....	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	16
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities.....	19
Notes to the Financial Statements.....	20
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule - General Fund.....	39
Schedule of Changes in Net Pension Liability and Related Ratios.....	40
Schedule of Plan Contributions - Pension.....	41
Schedule of Changes in the net OPEB Liability and Related Ratios.....	42
Schedule of Plan Contributions - OPEB.....	43
<b>Compliance Section</b>	
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 <i>Government Auditing Standards</i> .....	45
<b>Schedule of Findings and Responses</b> .....	47
<b>Summary Schedule of Prior Year Audit Findings</b> .....	49

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Santa Clara County Vector Control District  
San Jose, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Santa Clara County Vector Control District (the "District"), a component unit of the County of Santa Clara, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Santa Clara County Vector Control District, as of June 30, 2019, and the respective changes in financial position thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, schedule of changes in net pension liability, net OPEB liability and related ratios, and schedule of plan contributions on pages 4 - 10 and 39 - 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2019, on our consideration of the Santa Clara County Vector Control 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 solely 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 Santa Clara County Vector Control District's internal control over financial reporting and compliance.

**Harshwal & Company, LLP**  
**Certified Public Accountants**

*Harshwal & Company LLP*

**Oakland, California**  
**October 28, 2019**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(REQUIRED SUPPLEMENTARY INFORMATION)**

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

This section of the Santa Clara County Vector Control District (the "District") annual financial report presents a discussion and analysis of the District's financial performance for the fiscal year ended June 30, 2019. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section:

**FINANCIAL HIGHLIGHTS**

- The assets/deferred outflow of the District exceeded liabilities/deferred inflow by \$10,070,908 (net position) for the fiscal year reported. Of this amount, \$6,577,770 is net investment in capital assets while \$3,493,138 is restricted for general purposes.
- The District's total net position increased by \$687,428 during the fiscal year.
- As of June 30, 2019, the District's governmental funds reported combined ending fund balances of \$10,510,293. The entire amount is restricted to be spent only for the missions the District is committed to.
- At the end of the fiscal year, restricted fund balance for the general fund was \$10,207,828 or 135% of total general fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: (1) Government - wide financial statements, (2) Fund financial statements, and (3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

***Government-wide Financial Statements***

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

The *statement of net position* presents information on all of the District's assets, deferred outflow, liabilities, and deferred inflow with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the District is improving or deteriorating.

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

Both of the government - wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The only governmental activity of the District is health and sanitation. The District does not have any business-type activities.

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

***Fund Financial Statements***

The fund financial statements are designed to report information about groupings of related accounts which are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into one category only, governmental funds.

*Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements - i.e. most of the District's basic services are reported in governmental funds. These statements, however, focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the District's programs.

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

The District maintains two governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and capital projects.

The District does not have any proprietary and fiduciary funds.

***Notes to the Financial Statements***

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

***Required Supplementary Information***

The required supplementary information is presented concerning the District budgetary comparison schedule. The District adopts an annual appropriated budget for its General Fund and Capital Project. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget and to satisfy the requirement of GASB Statement No. 34.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets/deferred outflow exceeded liabilities/deferred inflow by \$10,070,908 at the close of the most recent fiscal year.

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NET POSITION  
GOVERNMENTAL ACTIVITIES**

	<u>2019</u>	<u>2018</u>	Increase (Decrease) %
<b>ASSETS</b>			
Current and other assets	\$10,746,513	\$11,207,492	(4)%
Capital assets, net	<u>6,577,770</u>	<u>6,688,208</u>	<u>(1.65)%</u>
Total Assets	<u>17,324,283</u>	<u>17,895,700</u>	<u>(3)%</u>
Deferred Outflows of Resources	<u>1,346,457</u>	<u>1,858,527</u>	<u>(28)%</u>
<b>LIABILITIES</b>			
Current and other liabilities	267,888	484,421	(45)%
Non-current - due beyond one year	<u>7,797,963</u>	<u>9,328,351</u>	<u>(16)%</u>
Total Liabilities	<u>8,065,851</u>	<u>9,812,772</u>	<u>(18)%</u>
Deferred Inflows of Resources	<u>533,981</u>	<u>557,975</u>	<u>(4)%</u>
<b>NET POSITION</b>			
Net investment in capital assets	6,577,770	6,688,208	(2)%
Restricted net position	<u>3,493,138</u>	<u>2,695,272</u>	<u>30 %</u>
Total Net Position	<u>\$10,070,908</u>	<u>\$ 9,383,480</u>	<u>7.33 %</u>

***Analysis of Net Position***

The larger balance of the District's net position of \$6,577,770 65% represents net investment in capital assets (e.g. land, building and improvements, vehicles, and equipment). The District uses these capital assets to provide services to citizens; consequently, these are not available for future spending.

The remaining portion of the District's net position \$3,493,138 35% represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the District reported positive balances in both categories of net position.

***Governmental Activities***

Governmental activities increased the District's net position by \$687,428 thereby accounting for 100% of the total increase in net position of the District. The following table indicates the changes in net position for governmental activities:

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

**CHANGES IN NET POSITION  
GOVERNMENTAL ACTIVITIES**

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease) %</u>
<b><i>REVENUES</i></b>			
Benefit assessment	\$ 7,098,105	\$ 7,085,337	0.18 %
Interest income	136,170	142,521	(4)%
Intergovernmental	39,991	52,291	(24)%
Miscellaneous	<u>52,505</u>	<u>139,220</u>	<u>(62)%</u>
Total revenues	<u>7,326,771</u>	<u>7,419,369</u>	<u>(1)%</u>
<b><i>EXPENSES</i></b>			
Health and Sanitation	<u>6,639,343</u>	<u>8,240,783</u>	<u>(19)%</u>
Total expenses	<u>6,639,343</u>	<u>8,240,783</u>	<u>(19)%</u>
Change in net position	687,428	(821,414)	(184)%
<i>Restatement</i>	<u>-</u>	<u>3,054,402</u>	<u>100.00 %</u>
Net position - beginning of year, <i>restated</i>	<u>9,383,480</u>	<u>10,204,894</u>	<u>(8.05)%</u>
Net position - end of year	<u><u>\$10,070,908</u></u>	<u><u>\$ 9,383,480</u></u>	<u><u>7.33 %</u></u>

***Analysis of Changes in Net Position***

A key element of the increase in net position of \$687,428 was due to the benefit assessment revenue being more than the expenditures.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

***Governmental Funds***

The general government functions are contained in the General Funds and the Capital Project. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balance of spendable resources. Such information is useful in assessing the District's financing requirements.

At June 30, 2019, the District's governmental funds reported combined ending fund balances of \$10,510,293 a decrease of \$252,726 in comparison with the prior year largely due decreased cash and investment of general fund. All of the combined ending fund balances constitutes restricted fund balance for general purposes.

The general fund is the chief operating fund of the District. At June 30, 2019, restricted fund balance of the general fund was \$10,207,828 while total fund balance reached \$10,510,293 Total fund balance of the general fund represents 135% of total general fund expenditures of \$7,579,497.

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

Revenues for governmental functions totaled \$7,326,771 in fiscal year 2018-2019, which represents a decrease of \$92,598 from the previous fiscal year. Expenditures for governmental functions, totaling \$7,579,497, decreased by \$296,849 from the previous fiscal year. In the fiscal year 2018-2019, expenditures for governmental functions exceeded revenues by \$252,726.

The following table presents the amount of revenues from various sources as well as increases or decreases from the prior year.

**REVENUES CLASSIFIED BY SOURCE  
GOVERNMENTAL FUNDS**

	2019		2018		Increase/(Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
Revenues by source						
Benefit assessment	\$7,098,105	96.88 %	\$7,085,337	95.50 %	\$ 12,768	0.18 %
Interest income	136,170	1.86 %	142,521	1.92 %	(6,351)	(4.46)%
Intergovernmental revenue	39,991	0.54 %	52,291	0.70 %	(12,300)	(23.52)%
Miscellaneous	<u>52,505</u>	<u>0.72 %</u>	<u>139,220</u>	<u>1.88 %</u>	<u>(86,715)</u>	<u>(62.29)%</u>
Total	<u>\$7,326,771</u>	<u>100.00 %</u>	<u>\$7,419,369</u>	<u>100.00 %</u>	<u>\$ (92,598)</u>	<u>(1.25)%</u>

Intergovernmental revenues represent mainly transfer from County through property tax/benefit assessment to fund CalPERS Employers Retiree Benefit Trust (CERBT) to assure the unfunded liability for the District is addressed in a prorata fashion. Other revenues represent water pollution control and plant mosquito control provided by the District to the City of San Jose, the level of which fluctuates every year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

During the year, actual revenues were more than budgetary estimates by \$137,661. This favorable variance is mainly due to surge in benefit assessment and interest income. Actual expenditures were less than budgetary estimates by \$1,401,645. This favorable variance is mainly due to decreased salary expenditure because of staff vacancies and decreased expenditures for pesticides.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

The District's capital assets for its governmental activities as of June 30, 2019, amounted to \$6,577,770 (net of accumulated depreciation). The capital assets include land, building and improvements, vehicles, and equipment. The decrease in the District's capital assets for the current period was \$110,438 which was mainly due to net effect of capital assets disposal and depreciation over new acquisitions.

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

Capital assets for the governmental activities are presented below to illustrate changes from the prior year:

	Governmental Activities		Increase/ (Decrease)
	2019	2018	% of Change
Land	\$ 2,352,000	\$ 2,352,000	-
Building and improvements	4,556,516	4,556,516	-
Vehicles	1,615,223	1,458,024	10.78 %
Equipment	525,675	525,676	-
Total Cost	9,049,414	8,892,216	1.77 %
Less: accumulated depreciation	(2,471,644)	(2,204,008)	12.14 %
Capital assets, net	<u>\$ 6,577,770</u>	<u>\$ 6,688,208</u>	<u>(1.65)%</u>

***Long-term debt***

The District decreased its long term debt mainly due to reduction of net pension liability.

	2019	2018	% of Change
Compensated absences	332,712	452,856	(27)%
Net OPEB liability	2,408,575	2,836,744	(15)%
Net pension liability	5,088,344	6,078,699	(16)%
Total long-term debt	<u>\$ 7,829,631</u>	<u>\$ 9,368,299</u>	<u>(16)%</u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Mosquito, Vector and Disease Control Assessment relies on two benefit assessments to fulfill the District Service Mission "to detect and minimize vector borne disease, to abate mosquitoes, and to assist the public in resolving problems with rodents, wildlife, tick borne diseases and insects of medical significance". Several factors help to maintain the stability of the revenue stream from the benefit assessments, and thus, the consistency of the economic picture. The number of parcels added to the District's benefit assessment roll rises at less than 1 percent annually; the current assessments do not include a "sunset clause"; annual assessed amounts cannot contain a CPI U (maximum 3%) adjustment without the approval from the District Board of Trustees; and no additional assessments are being proposed. Revenue from the two benefit assessments totaled \$7,098,105 for FY 2019 and projected to total \$6,975,057 for FY 2020.

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

One significant development on the horizon is the potential invasion and establishment of two invasive mosquito species. The Asian Tiger Mosquito (ATM) is currently established in southern California, and the Yellow Fever Mosquito (YFM) has been discovered in multiple locations throughout California, including San Mateo, Alameda, San Joaquin, Placer, and Sacramento Counties. These infestations have continued to expand since 2013. When established in our County, these two species will significantly alter mosquito control operations and place additional financial burden on the District. Of even greater import is the fact that these two species transmit Zika, Dengue and Chikungunya viruses, and that imported cases of these diseases have been and will continue to occur within the County as people travel to and from areas where these viruses are widespread. District plan to address more surveillance for invasive mosquitoes in FY20. There is a “New Finding “in Alameda county our neighbor for Murine typhus in fleas in their homeless camp, the District is planning to do surveillance for Murine typhus in Santa Clara County homeless camp in 2019.

All California districts face uncertainty related to regulatory oversight, and the increasing complexity and costs of doing vector control. District plan to increase two more seasonal in FY19 to treat all catch basin and reduce the mosquito population. Though these costs do not significantly alter the financial outlook for the District they highlight the need to maintain budget reserves and to coordinate with other Districts to ensure that unforeseen costs are covered.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the District’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Santa Clara County Vector Control District, 1580 Berger Dr. San Jose, CA 95112.

## **BASIC FINANCIAL STATEMENTS**

# **GOVERNMENT - WIDE FINANCIAL STATEMENTS**

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 10,740,503
Receivables	
Due from other governmental	6,010
Capital assets, net	<u>6,577,770</u>
Total assets	<u>17,324,283</u>
Deferred outflows of resources	
Pension	1,067,810
OPEB	<u>278,647</u>
Total deferred outflows of resources	<u>1,346,457</u>
Total assets and deferred outflows of resources	<u>18,670,740</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	72,028
Accrued salaries and benefits	159,158
Compensated absences - due within one year	31,668
Due to other governmental	<u>5,034</u>
Total current liabilities	<u>267,888</u>
Noncurrent liabilities	
Compensated absences - due beyond one year	301,044
Net OPEB liability	2,408,575
Net pension liability	<u>5,088,344</u>
Total noncurrent liabilities	<u>7,797,963</u>
Deferred inflows of resources	
Pension	137,602
OPEB	<u>396,379</u>
Total deferred inflows of resources	<u>533,981</u>
Total liabilities and deferred inflows of resources	<u>8,599,832</u>
<b>NET POSITION</b>	
Net investment in capital assets	6,577,770
Restricted	
General purposes	<u>3,493,138</u>
Total net position	<u>10,070,908</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 18,670,740</u>

The accompanying notes are an integral part of these financial statements.

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Net (Expenses) Revenues, and Changes in Net Position
		Governmental Activities
<b>Governmental Activities:</b>		
Health and sanitation	<u>\$ 6,639,343</u>	<u>\$ (6,639,343)</u>
Total governmental activities	<u><u>\$ 6,639,343</u></u>	<u><u>(6,639,343)</u></u>
<b>General Revenues:</b>		
Benefit assessment		7,098,105
Interest income		136,170
Intergovernmental		39,991
Miscellaneous		<u>52,505</u>
Total general revenues		<u>7,326,771</u>
Change in net position		687,428
Net position - beginning of year		<u>9,383,480</u>
Net position - end of year		<u><u>\$ 10,070,908</u></u>

The accompanying notes are an integral part of these financial statements.

## **FUND FINANCIAL STATEMENTS**

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

	<u>General Fund</u>	<u>Capital Project</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and investments	\$10,438,038	\$ 302,465	\$ 10,740,503
Due from other governmental agencies	<u>6,010</u>	<u>-</u>	<u>6,010</u>
Total assets	<u>10,444,048</u>	<u>302,465</u>	<u>10,746,513</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	72,028	-	72,028
Accrued salaries and benefits	159,158	-	159,158
Due to other governmental agencies	<u>5,034</u>	<u>-</u>	<u>5,034</u>
Total liabilities	<u>236,220</u>	<u>-</u>	<u>236,220</u>
<b>FUND BALANCES</b>			
Restricted	<u>10,207,828</u>	<u>302,465</u>	<u>10,510,293</u>
Total fund balances	<u>10,207,828</u>	<u>302,465</u>	<u>10,510,293</u>
Total liabilities and fund balances	<u>\$10,444,048</u>	<u>\$ 302,465</u>	<u>\$ 10,746,513</u>

The accompanying notes are an integral part of these financial statements.

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund balances - Total governmental funds		\$ 10,510,293
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Governmental capital assets		6,577,770
Deferred outflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds		1,346,457
Deferred inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds		(533,981)
Non-current liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Non-current liabilities at year end consist of:		
Net pension liability	(5,088,344)	
Net other post-employment benefits liability	(2,408,575)	
Compensated absences	<u>(332,712)</u>	<u>(7,829,631)</u>
Net position of governmental activities		<u>\$ 10,070,908</u>

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	<u>General Fund</u>	<u>Capital Project</u>	<u>Total</u>
<b><i>REVENUES</i></b>			
Benefit assessment	\$ 7,098,106	\$ -	\$ 7,098,106
Interest income	131,786	4,383	136,169
Intergovernmental revenue	39,991	-	39,991
Other revenue	<u>52,505</u>	<u>-</u>	<u>52,505</u>
Total revenues	<u>7,322,388</u>	<u>4,383</u>	<u>7,326,771</u>
<b><i>EXPENDITURES</i></b>			
Salaries and benefits	4,578,109	-	4,578,109
Services and supplies	2,844,190	-	2,844,190
Capital outlay	<u>157,198</u>	<u>-</u>	<u>157,198</u>
Total expenditures	<u>7,579,497</u>	<u>-</u>	<u>7,579,497</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(257,109)</u>	<u>4,383</u>	<u>(252,726)</u>
Net change in fund balances	(257,109)	4,383	(252,726)
Fund balances - beginning of year	<u>10,464,937</u>	<u>298,082</u>	<u>10,763,019</u>
Fund balances - end of year	<u>\$10,207,828</u>	<u>\$ 302,465</u>	<u>\$10,510,293</u>

The accompanying notes are an integral part of these financial statements.

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

Amounts reported for governmental activities are different because:

Net changes in fund balances - total governmental funds		\$ (252,726)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which additions to capital outlay exceeds depreciation expense in the period.		
Capital assets acquisitions	157,198	
Less: Depreciation	<u>(267,636)</u>	(110,438)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
OPEB expenses	430,566	
Change in compensated absences	120,144	
Pension expense	<u>499,882</u>	<u>1,050,592</u>
Change in net position in governmental activities		<u><u>\$ 687,428</u></u>

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 - ORGANIZATION**

The Santa Clara County Vector Control District (the “District”) was organized May 3, 1988, in conformity with the Government Code Section 25842.5, Health and Safety Code Section 2200, et seq., Health and Safety Code Section 1800, et seq., California Penal Code, Title X, and Uniform Housing Code Section 1001 (b) 12. The District provides services to prevent vector borne diseases and reduce exposure to pests, mosquitoes, rodents and insects which affect the public health and wellbeing. The District serves all fifteen incorporated cities and the unincorporated areas of the County.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

**A. Basis of Presentation**

*Government-wide Financial Statements*

The statement of net position and statement of activities display information about the District. These statements include the financial activities of the overall government. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues would include charges paid by the recipients of goods or services offered by the programs, as well as grants and contributions that are restricted to meeting the operational or capital requirements of the programs. Revenues that are not classified as program revenues, including all kinds of taxes, are presented as general revenues. The comparison of program revenues and direct expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District.

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

*Fund Financial Statements*

Fund financial statements are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses.

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)**

**A. Basis of Presentation - (Cont'd)**

Funds are organized into three major categories: governmental, proprietary, and fiduciary. There are separate statements for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column in the proprietary fund financial statements. The District has two funds, the general fund and capital project, both of which are categorized as governmental funds. There are no proprietary nor fiduciary funds.

*Governmental Funds*

The District reports two governmental funds:

- The General Fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all revenues and expenditures necessary to carry out basic governmental activities of the District that are not accounted for through other funds. For the District, the General Fund's primary activity is health and sanitation.
- Capital Project is used to account for financial resources to be used for the acquisition or construction of major capital assets.

**B. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

The government-wide, proprietary, and fiduciary fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The District has no proprietary nor fiduciary funds.

The accounting objectives of the economic resources measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net position.

Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes. On an accrual basis, revenue from benefit assessment is recognized in the fiscal year for which the assessment is levied.

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)**

**B. Measurement Focus and Basis of Accounting - (Cont'd)**

The governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting.

In the current financial resources measurement focus, only current financial assets and liabilities are generally included on the balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. The fund balance is used as the measure of available spendable financial resources at the end of the period.

Under the modified accrual basis of accounting, revenues are recognized when measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related liability is incurred, except for debt expenditures (principal and interest), as well as expenditures related to compensated absences which are reported when expense due.

**C. Budgets and Budgetary Accounting**

The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the Budgetary Comparison Schedule - General Fund - Budgetary Basis on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis of accounting and GAAP is that encumbrances are recorded as expenditures under the budgetary basis.

These budgets are revised by the District's governing body during the year to give consideration to unanticipated income and expenditures. The original and final revised budgets are presented for the General Fund in the financial statements.

**D. Cash and Investments**

Cash held in banks are insured by the Federal Depository Insurance Corporation. All cash held by the financial institutions is fully insured or collateralized, except those which exceeds the maximum insured levels of the FDIC.

The District maintains substantially all its cash in the Santa Clara County Treasury. The County pools these funds with those of other Departments in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are netted against interest income and proportionately shared by all funds in the pool.

**E. Capital Assets**

In the government - wide financial statements, capital assets purchased or acquired with an original cost of \$5,000 or more are recorded at historical cost or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at acquisition value.

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)**

**E. Capital Assets - (Cont'd)**

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation expense is provided over the assets' estimated useful lives using the straight-line method of depreciation. The estimated useful lives by type of assets are as follows:

Buildings and improvements	5-50 years
Vehicles and Equipment	3-30 years

Maintenance and repairs are charged to operations when incurred. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of capital 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.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Upon sale of capital assets, the proceeds from sale of capital assets is included in the results of operations as other financing sources.

**F. Compensated Absences**

Accumulated unpaid vacation and sick leave are recorded as a liability when future payments for such compensation absences have been earned by employees based on pay and salary rates in effect at year end. This liability is recorded as long-term debt in the government-wide financial statement of net position. The liability is not accrued in the governmental fund financial statement but is recognized only if it is due and payable in an event of termination.

**G. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

**H. Deferred Outflow/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)**

**I. Long-term Debt**

In the government - wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight - line method. Bonds payable are reported net of applicable bond premium or discount. Bond issue costs are expensed when incurred.

In the fund financial statements, governmental funds recognized bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts are reported as other financing sources/uses, whereas, issuance costs, are reported as debt service expenditures.

**J. Equity Classifications**

In government-wide and proprietary fund financial statements, equity is classified as net position and divided into three components:

- *Net Investment in Capital Assets* – This category groups all capital assets into one component of net position. 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 Position* – This category presents external restrictions 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 Position* – This category represents net position of the District, not restricted for any project or other purpose.

Governmental funds report fund balances in classifications based primarily on the extent to which the District is bound to honour constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

- *Nonspendable Fund Balance* – includes amounts that are (a) not in spendable form—such as inventory, prepaid amounts or long-term notes receivable, or (b) legally or contractually required to be maintained intact—such as a trust that must be retained in perpetuity. The “not in spendable form” criterion includes items that are expected to be converted to cash.
- *Restricted Fund Balance* – constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Restriction may effectively be changed or lifted only with the consent of resource providers.
- *Committed Fund Balance* – amounts that can be used only be used for the specific purposes determined by a formal action of the District’s highest level of decision-making authority, the Board. Commitments may be changed or lifted by the District taking the same formal action that imposed the constraint originally.

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONT'D)**

**J. Equity Classifications - (Cont'd)**

- *Assigned Fund Balance* – comprises amounts intended to be used by the District for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the District’s Board or (b) a body (e.g., a budget or finance committee) or official to which the District’s Board has delegated the authority to assign, modify, rescind amounts to be used for specific purposes. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.
- *Unassigned Fund Balance* – the residual classification for the General Fund. It is also used to report negative fund balance in other governmental funds.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

**K. Estimates**

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

**L. Subsequent Events**

Management has evaluated subsequent events through October 18, 2019.

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of June 30, 2019 consist of the following:

	Carrying Amount	Fair Value
Cash and investments in County Treasury common pool:		
General Fund	\$ 10,438,038	\$ 10,475,018
Capital Project Fund	302,465	303,537
Total cash and investments	\$ 10,740,503	\$ 10,778,555

The District’s fair value is based on their cash position as of June 30, 2019, in proportion to the entire cash held in the commingled County Pool. The fair value includes the amortization of premiums and discounts. The County’s investments are registered with the SEC.

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3 - CASH AND INVESTMENTS - (CONT'D)**

Based on the County's calculations, the District would have reflected a decrease to cash and interest and investment income of \$36,980 and \$1,072 in the General Fund and Capital Project Fund, respectively. However, since such application is not material, the District's cash balance is stated at cost.

Cash in County Treasury

Funds with the County Treasurer are invested pursuant to investment policy established by the Treasurer and approved by the Board of Trustees. The objectives of the policy are, in order of priority, preservation of capital, liquidity and yield. The policy addresses the soundness of financial institutions in which the County deposits funds, the types of investment instruments and the percentage of the portfolio which may be invested in certain instruments, as permitted by Section 53600 et seq. of the Government Code of the State of California. The County Treasury common pool at June 30, 2019 consisted of cash in bank, U.S. government and agency securities, corporate bonds, negotiable certificates of deposit, commercial paper, and deposits in the State's local agency investment fund. Additional information regarding the deposit and investment custodial credit, interest rate and credit risks of the County Treasury common pool can be found in the County's June 30, 2019 comprehensive annual financial report. A copy of that report may be obtained by contacting the County's Finance Agency, Controller-Treasurer Department, 70 West Hedding Street, 2nd Floor, East Wing, San Jose, CA 95110.

**NOTE 4 - CAPITAL ASSETS**

The capital asset activities for the year ended June 30, 2019 are as follows:

	Balance June 30, 2018	Additions/ Adjustments	Deletions/ Adjustments	Balance June 30, 2019
Capital assets, not being depreciated:				
Land	\$ 2,352,000	\$ -	\$ -	\$ 2,352,000
Total capital assets, not being depreciated	<u>2,352,000</u>	<u>-</u>	<u>-</u>	<u>2,352,000</u>
Capital assets being depreciated:				
Building and improvements	4,556,516	-	-	4,556,516
Vehicles	1,458,025	157,198	-	1,615,223
Equipment	525,675	-	-	525,675
Total capital assets, being depreciated	<u>6,540,216</u>	<u>157,198</u>	<u>-</u>	<u>6,697,414</u>
Less - accumulated depreciation for:				
Building and improvements	851,335	91,131	-	942,466
Vehicles	910,336	147,243	-	1,057,579
Equipment	442,337	29,262	-	471,599
Total accumulated depreciation	<u>2,204,008</u>	<u>267,636</u>	<u>-</u>	<u>2,471,644</u>
Total capital assets, being depreciated, net	<u>4,336,208</u>	<u>(110,438)</u>	<u>-</u>	<u>4,225,770</u>
Governmental activities capital assets, net	<u>\$ 6,688,208</u>	<u>\$ (110,438)</u>	<u>\$ -</u>	<u>\$ 6,577,770</u>

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

Depreciation expense for the year ended June 30, 2019 is \$267,636.

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 5 - LONG-TERM DEBT**

**A. Change in Long-term Debt**

The following is a summary of changes in long-term debt for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	Deductions	Balance June 30, 2019	Due within one year	Due beyond one year
Net OPEB liability	\$ 2,836,744	\$ -	\$ 428,169	\$ 2,408,575	\$ -	\$2,408,575
Compensated absences	452,856	-	120,144	332,712	31,668	301,044
Net pension liability	<u>6,078,699</u>	<u>-</u>	<u>990,355</u>	<u>5,088,344</u>	<u>-</u>	<u>5,088,344</u>
Totals	<u>\$ 6,531,555</u>	<u>\$ -</u>	<u>\$ 1,538,668</u>	<u>\$ 7,829,631</u>	<u>\$ 31,668</u>	<u>\$7,797,963</u>

**NOTE 6 - PENSION PLANS**

**A. General Information about the Pension Plan**

The full description of the general information about the pension plan (outline below) can be found in the County's June 30, 2019 CAFR. A copy of that report may be obtained by contacting the County's Finance Agency, Controller-Treasurer Department, 70 West Hedding Street, 2nd Floor, East Wing, San Jose, CA 95110.

- Plan Description, Benefits Provided and Employees Covered
- Contribution Description
- Actuarial Methods and Assumptions Used to Determine Total Pension Liability
- Discount Rate
- Pension Plan Fiduciary Net Position
- Sensitivity of the Net Pension Liability to Changes in the Discount Rate
- Subsequent Events and
- Recognition of Gains and Losses

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Reporting Date	June 30, 2019
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018
Valuation Date	June 30, 2017

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 6 - PENSION PLANS - (CONT'D)**

**B. Changes in the Net Pension Liability**

The following table shows the changes in net pension liability recognized over the measurement period (presented at .165%, which is the County of Santa Clara's calculation of the District's proportional share).

	Increase(Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (c) = (a) - (b)
Balance at: 6/30/17 (VD) <sup>1</sup>	\$ 17,212,897	\$ 12,095,625	\$ 5,117,272
Changes Recognized for the Measurement Period			
• Service Cost	424,960	-	424,960
• Interest on the Total Pension Liability	1,214,801	-	1,214,801
• Change in assumptions	(168,539)	-	(168,539)
• Difference between Expected and Actual Experience	117,532	-	117,532
• Plan to Plan Resource Movement	-	20	(20)
• Contributions from the Employers	-	459,190	(459,190)
• Contributions from Employees	-	187,362	(187,362)
• Net Investment Income <sup>2</sup>	-	1,025,753	(1,025,753)
• Benefit Payments, including Refunds of Employee Contributions	(768,288)	(768,288)	-
• Administrative Expenses	-	(18,850)	18,850
• Other miscellaneous expense	-	(35,793)	35,793
Net Changes during 2017-18	<u>820,466</u>	<u>849,394</u>	<u>(28,928)</u>
Balance at: 6/30/18 (MD) <sup>1</sup>	\$ 18,033,363	\$ 12,945,019	\$ 5,088,344

**C. Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

	6.15% (1% Decrease)	7.15% (Current Rate)	8.15% (1% Increase)
Plan's net pension liability/assets	<u>\$ 7,522,378</u>	<u>\$ 5,088,344</u>	<u>\$ 3,073,043</u>

*During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.*

*Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).*

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 6 - PENSION PLANS - (CONT'D)**

**D. Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions**

For the measurement period ending June 30, 2018 (the measurement date), the District incurred a total pension expense of \$(499,882) for the Plan.

No adjustments have been made for contributions subsequent to the measurement date. Adequate treatment of any contributions made after the measurement date is the responsibility of the employer. As of June 30, 2019, the District has deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 496,712	\$ (129,344)
Difference between expected and actual experience	95,637	(8,258)
Employer contribution subsequent to measurement date	447,994	-
Net difference between projected and actual earnings on pension plan investments	27,467	-
Total deferred outflows and inflows	\$ 1,067,810	\$ (137,602)

The amounts above are net of outflows and inflows recognized in the 2017-18 measurement period expense. Amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in future pension expense as follows:

Measurement Period Ended June 30:	Deferred Outflows/ (Inflows) of Resources
2019	376,261
2020	254,189
2021	(110,912)
2022	(37,324)
2023	-
Thereafter	-

The District's employer contributions for the year ending June 30, 2019 is \$447,994.

**NOTE 7 - OTHER POST EMPLOYMENT BENEFITS**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 7 - OTHER POST EMPLOYMENT BENEFITS - (CONT'D)**

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Reporting date	June 30, 2019
Measurement date	June 30, 2018
Measurement period	July 01, 2017 to June 30, 2018
Valuation date	June 30, 2018

**Plan Description**

The District has established a Retiree Healthcare Plan (HC Plan), and participates in an agent multiple-employer defined benefit retiree healthcare plan. The HC Plan provides employees who retire directly from the District, at a minimum age of 55, with a minimum of five years of service, a cash subsidy for monthly medical insurance premiums up to a cap of \$200 per employee or \$320 for employee plus spouse. Payments cease at age 65 when the retiree or spouse is eligible for Medicare. If applicable, a cash subsidy for the monthly medical premium continues up to a cap of \$160 for a spouse until age 65 is attained. Surviving spouses are also eligible for this benefit.

Employees who retire directly from the District at a minimum age of 55 with a minimum of five years of service are eligible to continue medical coverage as a participant with active employees at a blended premium rate until eligible for Medicare at age 65 as an implied subsidy. A separate financial report is not prepared for the HC Plan.

**Contributions**

The HC Plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the District and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the fiscal year ended June 30, 2019, the District's contributions were \$202,140.

In Fiscal Year 2016, the District created a trust with Public Agency Retirement Services (PARS) for the purpose of prefunding obligations for past services.

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 7 - OTHER POST EMPLOYMENT BENEFITS - (CONT'D)**

**Net OPEB Liability**

The following table shows the actuarial assumptions over the measurement period (presented at **.191%**, which is the County of Santa Clara's calculation of the District's proportional share). The District's net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation dated June 30, 2017 that was rolled forward to determine the June 30, 2018 total OPEB liability, based on the following actuarial methods and assumptions:

	Actuarial Assumptions
Discount rate	7.00%
Price inflation	2.50%
Wage inflation	2.75%
Salary increases	Miscellaneous: 9.75% to 3.25%, varying by service, including wage inflation Safety: 15.95% to 4.25%, varying by service, including wage inflation
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation
Medical cost trend rate	
Non-medical medical plan	7.00% graded down to an ultimate of 4.50% over 10 years*
Medicare medical plan	6.50% graded down to an ultimate of 4.50% over 8 years*
Medicare part B	4.00%
Other assumptions	Same as those used in the June 30, 2018 funding actuarial valuation for the OPEB Plan

Notes:

1. Pre-retirement mortality information was derived from data collected during 1997 to 2011 CalPERS Experience Study dated January 2014 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

2. The pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website [www.calpers.ca.gov](http://www.calpers.ca.gov) under Forms and Publications.

**Target Assets Allocation**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges 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 and by adding expected inflation. The target allocation and best estimates of

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2019**

arithmetic real rates of return for each major asset class are summarized in the following table:

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 7 - OTHER POST EMPLOYMENT BENEFITS - (CONT'D)**

**Target Assets Allocation - (Cont'd)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected real rate of return</u>
Inflation assets	59%	7.40%
Global debt securities	25%	1.75%
Global equities	8.0%	5.10%
REITs	5.0%	4.30%
Commodities	3.0%	4.90%
Total	<u>100%</u>	

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to changes in the discount rate. The following presents the Net OPEB Liability (NOL) of the County of Santa Clara as of June 30, 2018, calculated using the discount rate of 7.00%, as well as what the County of Santa Clara's NOL would be if it were calculated using a discount rate that is 1-percentage-point lower (6%) or 1-percentage-point higher (8%) than the current rate:

	<u>Discount Rate-1%</u> <u>(6%)</u>	<u>Current Discount</u> <u>Rate(7%)</u>	<u>Discount Rate+1%</u> <u>(8%)</u>
Miscellaneous	\$ 2,662,702	\$ 2,112,194	\$ 1,661,305
Safety	\$ 373,628	\$ 296,381	\$ 233,113
Total	<u>\$ 3,036,330</u>	<u>\$ 2,408,575</u>	<u>\$ 1,894,418</u>

Sensitivity of the Net OPEB Liability to changes in the trend rate. The following presents the Net OPEB Liability of the County of Santa Clara as of June 30, 2018, as well as what the County's Net OPEB Liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Miscellaneous	\$ 1,573,517	\$ 2,112,194	\$ 2,831,992
Safety	\$ 220,794	\$ 296,381	\$ 397,382
Total	<u>\$ 1,794,311</u>	<u>\$ 2,408,575</u>	<u>\$ 3,229,374</u>

(\*Current trend rates: 7.00% graded down to 4.50% over 10 years for Non-Medicare medical plan costs; 6.50% graded down to 4.50% over 8 years for Medicare medical plan costs and 4.00% for all years for Medicare Part B subsidy cost. In addition,

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

**JUNE 30, 2019**

*we have adjusted these trend rates to reflect the estimated impact of the Health Insurance Tax (HIT). The weighted average increase amongst all carriers was approximately 0.59% for Non-Medicare plans and 0.56% for Medicare plans.)*

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 7 - OTHER POST EMPLOYMENT BENEFITS - (CONT'D)**

**Recognition of Deferred Outflows and Deferred Inflows of Resources**

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 Years
All other amounts	Expected average remaining service lifetime (EARSL) (6.0 Years at June 30, 2018)

**OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB**

For the fiscal year ended June 30, 2019, the District recognized OPEB expense of \$(430,566). As of fiscal year ended June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following sources:

<u>Miscellaneous plan</u>	<u>Deferred outflow of resources</u>	<u>Deferred inflow of resources</u>
Changes in proportion and differences between entity's contributions and proportionate share of contributions	\$ 12,778	\$ -
Changes of assumptions or other inputs	55,886	47,696
Employer contribution subsequent to measurement date	177,266	-
Net excess of actual over projected earnings on OPEB plan investments (if any)	-	30,845
Difference between expected and actual experience in the Total OPEB Liability	-	257,857
Total deferred outflows and inflows	<u>\$ 245,930</u>	<u>\$ 336,398</u>

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 7 - OTHER POST EMPLOYMENT BENEFITS - (CONT'D)**

<u>Safety Plan</u>	<u>Deferred outflow of resources</u>	<u>Deferred inflow of resources</u>
Changes in proportion and differences between entity's contributions and proportionate share of contributions	\$ -	\$ 12,778
Changes of assumptions or other inputs	7,843	6,693
Employer contribution subsequent to measurement date	24,874	-
Net excess of actual over projected earnings on OPEB plan investments (if any)	-	4,328
Difference between expected and actual experience in the Total OPEB Liability	-	36,182
Total deferred outflows and inflows	<u>\$ 32,717</u>	<u>\$ 59,981</u>

Deferred outflows of resources and deferred inflows of resources related to OPEB expense will be recognized as follows:

Reporting Date for Employer under GASB 75 Year Ended June 30:

<u>Fiscal Year</u>	<u>Miscellaneous plan</u>	<u>Safety plan</u>
2020	\$ (63,173)	\$ (11,892)
2021	\$ (63,173)	\$ (11,892)
2022	\$ (63,173)	\$ (11,892)
2023	\$ (55,219)	\$ (10,776)
2024	\$ 24,277	\$ (5,383)
2025	\$ 1,282	\$ (303)
Thereafter	-	-

**REQUIRED SUPPLEMENTARY INFORMATION**

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	Variance with Final Budget Positive (Negative)
Budgetary Fund Balances, Beginning	\$ 10,128,411	\$ 9,802,895	\$ 10,464,937	\$ 662,042
<b>Resources (Inflows)</b>				
Benefit assessment	6,975,057	6,975,057	7,098,106	123,049
Interest income	113,531	113,531	131,786	18,255
Intergovernmental revenue	3,901	39,386	39,991	605
Other revenue	56,753	56,753	52,505	(4,248)
Amounts Available for Appropriation	<u>7,149,242</u>	<u>7,184,727</u>	<u>7,322,388</u>	<u>137,661</u>
<b>Charges to Appropriations (Outflows)</b>				
Health and sanitation				
Salaries and benefits	5,131,237	5,166,722	4,578,109	588,613
Services and supplies	3,638,225	3,606,420	2,844,190	762,230
Capital outlay	-	208,000	157,198	50,802
Total charge to appropriations	<u>8,769,462</u>	<u>8,981,142</u>	<u>7,579,497</u>	<u>1,401,645</u>
Budgetary Fund Balances, Ending	<u>\$ 8,508,191</u>	<u>\$ 8,006,480</u>	<u>\$ 10,207,828</u>	<u>\$ 2,201,348</u>

**Explanation of Differences between Budgetary Inflows and Outflows  
and GAAP Revenues and Expenditures**

Sources/Inflows of Resources	
Actual amounts (budgetary basis) "available for appropriation" from the Budgetary comparison schedule	<u>\$ 7,322,388</u>
Total Revenues as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	<u>\$ 7,322,388</u>
Uses/Outflows of Resources	
Actual amounts (budgetary basis) "total charges to appropriations" from the Budgetary comparison schedule	<u>\$ 7,579,497</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	<u>\$ 7,579,497</u>

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**FOR THE PERIOD ENDED JUNE 30, 2019**

Fiscal year	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement period ending	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
<b>TOTAL PENSION LIABILITY</b>					
Service cost	\$ 424,960	\$ 482,208	\$ 383,459	\$ 397,932	\$ 401,638
Interest	1,214,801	1,376,423	1,233,071	1,260,548	1,191,780
Changes of assumptions	(168,539)	1,151,971	-	(309,086)	-
Differences between expected and actual experience	117,532	(19,152)	24,248	(26,168)	-
Benefit payments, including refunds of employee contributions	<u>(768,288)</u>	<u>(842,726)</u>	<u>(740,023)</u>	<u>(743,800)</u>	<u>(690,979)</u>
Net change in total pension liability	820,466	2,148,724	900,755	579,426	902,439
Total pension liability - beginning	<u>17,212,897</u>	<u>18,298,110</u>	<u>16,272,611</u>	<u>16,985,937</u>	<u>16,035,069</u>
Total pension liability - ending (a)	<u>\$ 18,033,363</u>	<u>\$ 20,446,834</u>	<u>\$ 17,173,366</u>	<u>\$ 17,565,363</u>	<u>\$ 16,937,508</u>
<b>PLAN FIDUCIARY NET POSITION</b>					
Contributions - employer	\$ 459,190	\$ 526,396	\$ 441,602	\$ 413,251	\$ 373,013
Contributions - employees	187,362	215,845	190,781	193,685	200,145
Net investment income	1,025,753	1,451,616	64,785	293,231	1,951,233
Benefit payments, including refunds of employee contributions	(768,288)	(842,726)	(740,023)	(743,800)	(690,979)
Plan to plan resource movement	20	(201)	321	(1,148)	-
Administrative expense	<u>(18,850)</u>	<u>(19,247)</u>	<u>(7,487)</u>	<u>(14,942)</u>	<u>-</u>
Other miscellaneous income/(expense) <sup>1</sup>	<u>(35,793)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fiduciary net position	849,394	1,331,683	(50,021)	140,277	1,833,412
Plan fiduciary net position - beginning <sup>2</sup>	<u>12,095,625</u>	<u>13,036,205</u>	<u>12,285,153</u>	<u>13,120,850</u>	<u>11,250,028</u>
Plan fiduciary net position - ending (b)	<u>12,945,019</u>	<u>14,367,888</u>	<u>12,235,132</u>	<u>13,261,127</u>	<u>13,083,440</u>
Plan net pension liability/(asset) - ending (a) - (b)	<u>\$ 5,088,344</u>	<u>\$ 6,078,946</u>	<u>\$ 4,938,234</u>	<u>\$ 4,304,236</u>	<u>\$ 3,854,068</u>
Plan fiduciary net position as a percentage of the total pension liability	71.78 %	70.26 %	71.24 %	75.50 %	77.25 %
Covered employee payroll <sup>1</sup>	\$ 2,482,531	\$ 2,770,038	\$ 2,465,809	\$ 2,465,809	\$ 2,361,882
Plan net pension liability/(asset) as a percentage of covered - employee payroll	204.97 %	219.45 %	203.33 %	174.56 %	163.18 %

<sup>1</sup>During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75.

Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017-18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

<sup>2</sup>Includes any beginning of year adjustment.

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT**  
**SCHEDULE OF PLAN CONTRIBUTION - PENSION**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Fiscal Year <sup>1</sup>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution <sup>2</sup>	\$ 447,994	\$ 433,225	\$ 399,717	\$ 378,216	\$ 441,602	\$ 373,013
Contribution in relation to the actuarially determined contribution <sup>2</sup>	<u>(447,994)</u>	<u>(433,225)</u>	<u>(399,717)</u>	<u>(378,216)</u>	<u>(441,602)</u>	<u>(373,013)</u>
Contribution deficiency (excess)	<u>\$ -</u>					
Covered - employee payroll <sup>3</sup>	\$ 2,482,531	\$ 2,770,038	\$ 2,428,650	\$ 2,465,809	\$ 2,361,882	\$ 2,293,089
Contribution as a percentage of covered-employee payroll <sup>3</sup>	18.05 %	15.64 %	16.46 %	15.34 %	18.70 %	16.27 %

<sup>1</sup>As prescribed in GASB 68, paragraph 46, the information presented in the Schedule of Plan Contributions should also be presented as of the employer's most recent fiscal year-end. The employer is responsible for determining this information as prescribed by the standard as this data is not available to CalPERS.

<sup>2</sup>Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

<sup>3</sup>Includes one year's payroll growth using 2.75 percent payroll assumption for fiscal year ended June 30, 2018; 3.00 percent payroll assumption for fiscal years ended June 30, 2014-17.

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT**  
**SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS**  
**FOR THE PERIOD ENDED JUNE 30, 2019**

The changes in the net OPEB liability for the HC Plan are as follows:

Reporting Date	June 30, 2019	June 30, 2018
Measurement Date	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<b>Total OPEB liability</b>		
Service cost	113,769	145,373
Interest on the total	288,780	347,544
Change in benefit terms	-	-
Difference b/w actual and expected experience	(62,127)	(404,177)
Changes in assumption	75,357	(91,027)
Benefit payments, including implicit subsidies net of retiree contributions	<u>(156,887)</u>	<u>(169,439)</u>
Net change in total OPEB liability	258,892	(171,726)
Total OPEB liability - beginning	<u>4,090,106</u>	<u>4,904,257</u>
Total OPEB liability - ending	<u>4,348,998</u>	<u>4,732,531</u>
<b>Plan's fiduciary net position</b>		
Contributions - employer	298,169	290,226
Contributions - employee	12,062	13,313
Net investment income	130,639	167,551
Benefit payments, including implicit subsidies net of retiree contributions	(156,887)	(169,439)
Administrative expense	(7,730)	(5,660)
Other	<u>25,730</u>	<u>40,167</u>
Net change in plan's fiduciary net position	301,983	336,158
Plan's Fiduciary Net Position – beginning	<u>1,638,440</u>	<u>1,559,629</u>
Plan's Fiduciary Net Position – ending	<u>1,940,423</u>	<u>1,895,787</u>
Net OPEB Liability – ending	<u>\$ 2,408,575</u>	<u>\$ 2,836,744</u>
Plan's fiduciary net position as a percentage of the Total OPEB Liability	44.62%	40%
Covered employee payroll	3,200,647	3,512,016
Plan net OPEB liability as percentage of covered employee payroll	75.25%	81%

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT**  
**SCHEDULE OF PLAN CONTRIBUTIONS - OPEB**  
**LAST 10 FISCAL YEARS**

Fiscal Year Ended	June 30, 2019	June 30, 2018
Actuarially determined contribution (ADC)	\$ 298,169	\$ 340,635
Contributions in relation to the ADC	<u>298,169</u>	<u>340,635</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
Covered - employee payroll	<u>\$ 3,200,647</u>	<u>\$3,512,016</u>
Contributions as a % of covered-employee payroll	9.32 %	9.69 %

**Notes to Schedule:**

Actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2019 were from the June 30, 2017 actuarial valuation.

**Methods and assumptions used to establish “actuarially determined contribution” rates:**

Valuation date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported
Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	30-Year Closed Amortization; level percent of payroll
Remaining amortization period	29 years as of June 30, 2018
Asset valuation method	Market value
Actuarial assumptions:	June 30, 2018 Valuation Date
Investment rate of return	7.00%, net of investment expenses
Price inflation	2.50%
Wage inflation	2.75%
Salary Increases	Miscellaneous: 9.75% to 3.25%, varying by service, including wage inflation Safety: 15.95% to 4.25%, varying by service, including wage inflation
Medical cost trend rates	
Non-Medicare medical plan	7.00% graded down to an ultimate of 4.50% over 10 years
Medicare medical plan	6.50% graded down to an ultimate of 4.50% over 8 years
Medicare Part B	4.00%
Other assumptions	Same as those used in the June 30, 2018 funding actuarial valuation for the OPEB Plan

## **COMPLIANCE SECTION**

**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 of  
Santa Clara County Vector Control District  
San Jose, California

We have audited, in accordance with the 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 governmental activities, each major fund of Santa Clara County Vector Control District (the "District"), a component unit of the County of Santa Clara as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report dated October 28, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the 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 may exist that have not been identified.

**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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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.

**Harshwal & Company, LLP  
Certified Public Accountants**

*Harshwal & Company LLP*

**Oakland, California  
October 28, 2019**

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2019**

**Financial Statements**

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness?	None reported
• Noncompliance material to financial statements noted?	No

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2019**

There were no findings reported in the current year.

**SANTA CLARA COUNTY VECTOR CONTROL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

There were no findings in the prior year.