

**ORANGE COUNTY MOSQUITO AND  
VECTOR CONTROL DISTRICT**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2022**



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAcconnect.com](https://CLAcconnect.com)

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2022**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>4</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>GOVERNMENT-WIDE FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF NET POSITION</b>	<b>13</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>14</b>
<b>FUND FINANCIAL STATEMENTS</b>	
<b>GOVERNMENTAL FUNDS</b>	
<b>BALANCE SHEET</b>	<b>15</b>
<b>RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>16</b>
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS</b>	<b>17</b>
<b>RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES</b>	<b>18</b>
<b>BUDGETARY COMPARISON STATEMENT</b>	
<b>GENERAL FUND – BY DEPARTMENT</b>	<b>19</b>
<b>NOTES TO BASIC FINANCIAL STATEMENTS</b>	<b>20</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<b>SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CALPERS</b>	<b>58</b>
<b>SCHEDULE OF CONTRIBUTIONS – PENSION – CALPERS</b>	<b>59</b>
<b>SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – OCERS WITHDRAWN PLAN</b>	<b>60</b>
<b>SCHEDULE OF CONTRIBUTIONS – CONTRIBUTIONS – OCERS WITHDRAWN PLAN</b>	<b>61</b>

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2022**

<b>SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS</b>	<b>62</b>
<b>SCHEDULE OF CONTRIBUTIONS – OPEB</b>	<b>63</b>
<b>INDEPENDENT AUDITORS’ 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></b>	<b>64</b>



## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Orange County Mosquito and Vector Control District  
Garden Grove, California

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities and the major fund of the Orange County Mosquito and Vector Control District (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District, as of June 30, 2022, and the respective changes in financial position and the budgetary comparison statement for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Change in Accounting Principle**

As described in Note 1 to the financial statements, in 2022, the District adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

#### **Responsibilities of Management for the Financial Statements**

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

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability – CalPERS and OCERS withdrawn plan, the schedule of contributions – pension – CalPERS and OCERS withdrawn plan, the schedule of changes in the net OPEB liability and related ratios, and the schedule of contributions – OPEB, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 March 16, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 District's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Irvine, California  
March 16, 2023

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

This section of the financial statements of the Orange County Mosquito and Vector Control District (District) is management's narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the District's financial statements and accompanying notes.

**Background**

The Orange County Mosquito and Vector Control District is a special district originally formed in 1947 as the Orange County Mosquito Abatement District with the purpose of protecting the County from mosquitoes and mosquito-borne diseases. In 1975, the District's name changed to Orange County Vector Control District, and the District assumed responsibility for comprehensive vector control, specifically adding fly and rat control services. Then in 2004, the District established a Red Imported Fire Ant program. In 2015, the District was renamed to Orange County Mosquito and Vector Control District to better identify the District's purpose.

The District's operation is overseen by a 35-member Board of Trustees with one member appointed by each of the 34 cities within the District's boundaries and one member appointed by the County of Orange.

**Financial Highlights**

The comparisons in the discussion and analysis below are between FY 2020-21 and FY 2021-22. All increases and decreases are expressed relative to FY 2020-21 amounts.

**Government-wide Financial Statements**

- At the close of the fiscal year, the assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$34.2 million (net position). Of this amount, \$21.0 million may be used to meet the District's ongoing obligations to citizens and creditors (unrestricted net position).
- The District's revenues of \$16.2 million exceeded expenses of \$10.8 million, resulting in an increase to net position of \$5.4 million from the year's activities.

**Fund Financial Statements**

- As of June 30, 2022, the District's governmental funds reported an ending fund balance of \$27.8 million, an increase of \$2.4 million over the prior year. Of this amount, \$10.3 million is available for spending at the District's discretion (unassigned fund balance).

**Overview of the Basic Financial Statements**

This discussion and analysis serves as an introduction to the District's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes 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. In accordance with governmental accounting standards, the District's government-wide financial statements include a Statement of Net Position and a Statement of Activities.

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

The Statement of Net Position presents information on all of the District's assets, deferred inflows of resources, liabilities, deferred outflows of resources, and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The Statement of Net Position also provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the District.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event 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 (e.g., uncollected taxes and earned but unused vacation leave). This statement measures the success of the District's activities over the past year and can be used to determine whether the District has successfully recovered all of its costs.

The government-wide financial statements are in this report's financial section immediately following the Management's Discussion and Analysis (MD&A), beginning on page 13.

**Fund financial statements.** A fund is a grouping of related accounts that is 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 District's funds are reported within the category of governmental funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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 District's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

All of the District's governmental activity is reported in the General Fund, and the District adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

The governmental fund financial statements are found in the financial section of this report following the government-wide financial statements, beginning on page 15.



**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements are found in the financial section of this report following the fund financial statements, beginning on page 20.

**Government-wide Financial Analysis**

Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Following is a table that compares the District's net position at the end of the current and prior fiscal years.

**Net Position – Governmental Activities**

	6/30/2021*	6/30/2022
Current and other assets	\$25,882,493	\$29,206,220
Net OPEB and pension assets	2,133,047	5,501,623
Capital assets	5,080,160	5,067,183
Total assets	33,095,700	39,775,026
Deferred outflows	2,337,033	2,538,254
Total deferred outflows	2,337,033	2,538,254
Long-term liabilities	3,313,319	1,568,386
Other liabilities	455,929	592,526
Total liabilities	3,769,248	2,160,912
Deferred inflows	2,891,382	5,925,939
Total deferred inflows	2,891,382	5,925,939
Net investment in capital assets	5,080,160	5,067,183
Restricted	4,851,394	8,186,475
Unrestricted	18,840,549	20,972,771
Total net position	\$28,772,103	\$34,226,429

\*Certain data has been reclassified to conform to the current year's presentation.

At June 30, 2022, assets and deferred outflows exceed liabilities and deferred inflows, resulting in a net position of \$34.2 million. The District's net position is comprised of three categories: net investment in capital assets, restricted net position, and unrestricted net position.

**Net investment in capital assets:** An important component of net position is capital assets (e.g., land, structures, and vehicles). The District's net investment in capital assets is \$5.1 million, representing 15 percent of the total net position at fiscal year-end. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**Restricted net position:** The portion of the District's net position that represents resources subject to external restrictions on how they may be used totals \$8.2 million, or 24 percent of total net position.

**Unrestricted net position:** The remainder of the District's net position is categorized as unrestricted, totaling \$21.0 million or 61 percent of total net position. Unrestricted net position may be used to meet the District's ongoing obligations to citizens and creditors.

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

Following is a summary of the government-wide Statement of Activities. This table illustrates the \$5.4 million increase in the District's net position resulting from revenues of \$16.2 million exceeding expenses of \$10.8 million. Discussion regarding significant changes in revenue and expenses follows the table.

**Change in Net Position – Governmental Activities**

	6/30/2021	6/30/2022
Program revenues:		
Charges for services	\$ 430,739	\$ 477,440
Operating contributions and grants	63,123	191,012
General revenues:		
Property taxes and assessments	15,723,805	16,219,508
Investment income	483,942	(687,622)
Other revenues	39,051	28,828
<b>Total revenues</b>	<b>16,740,660</b>	<b>16,229,166</b>
Expenses:		
General government	1,122,827	1,343,096
Health and sanitation	11,424,464	9,431,744
<b>Total expenses</b>	<b>12,547,291</b>	<b>10,774,840</b>
Increase/(decrease) in net position	4,193,369	5,454,326
Net position - July 1	24,578,734	28,772,103
Net position - June 30	<b>\$28,772,103</b>	<b>\$34,226,429</b>

Overall, revenues decreased by \$0.5 million while expenses decreased by \$1.8 million. Key elements of the changes in revenues and expenses include:

Revenues

Government-wide property tax revenues and assessments increased by \$0.5 million mainly as a result of an increase in ad valorem property taxes due to a rise in assessed value. Revenues from benefit assessments had only minor increases resulting from new parcels becoming subject to assessment. The benefit assessment rates remained the same in FY 2021-22 with Assessment District No. 1 at \$1.92 and Assessment District No. 2 at \$7.70 per parcel.

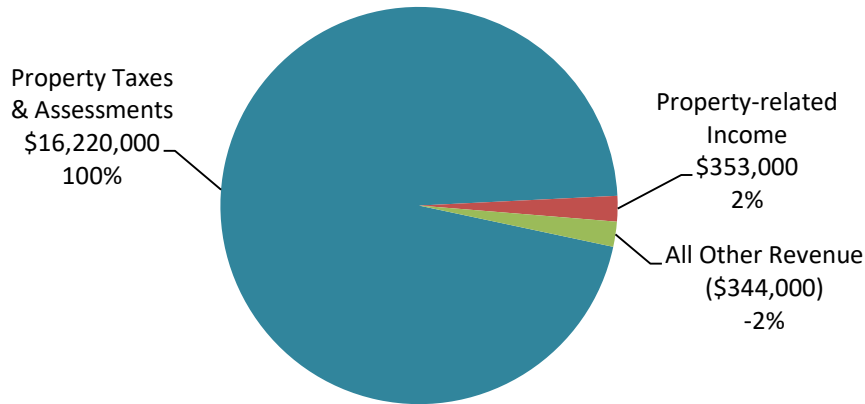
Investment income decreased by \$1.2 million due to rising interest rates throughout the fiscal year which caused a large drop in the fair value of investments as of June 30; this resulted in unrealized losses, which substantially reduced investment income for the year.

Expenses

Government-wide expenses decreased by \$1.9 million as a result of changes in the net pension liability/asset, net OPEB liability/asset, and related changes for deferred outflows of resources and deferred inflows of resources. In addition, there was a \$0.2 million decrease for contributions to the retirement trust. This was offset by \$0.4 million in increases for higher operating costs related to technical and field operations.

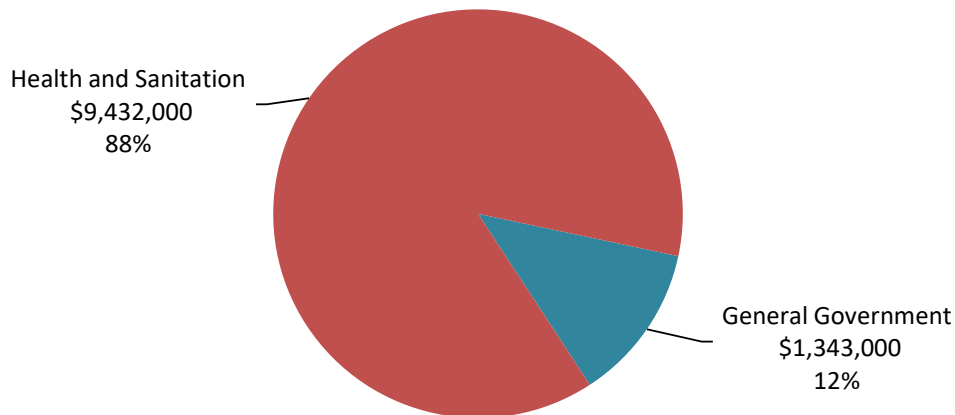
**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

**Revenues by Source - Government-wide**



As identified in the revenue graph, nearly all of the District's revenues come from the District's share of the ad valorem property tax and property tax assessments. Of the \$16.2 million property tax and assessment revenue, 49 percent is from the District's share of the ad valorem property tax and similar distributions while the remaining 51 percent is from the District's property tax benefit assessments.

**Expenses by Function - Government-wide**



The District's expenses totaled \$10.8 million in fiscal year 2021-22. Of that total, \$9.4 million (88 percent) was for health and sanitation purposes while the remaining \$1.3 million was for general administrative functions of the District.

During fiscal year 2021-22, the District's Health and Sanitation functional expense category had \$316,000 of program revenues (\$125,000 of charges for services and \$191,000 of operating contributions); the General Government functional expense category had \$353,000 of program revenues (charges for services – property-related income for rental of District property).

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

**Financial Analysis of the District's Funds**

The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information may be useful in assessing the District's financial requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's funds reported an ending fund balance of \$27.8 million, an increase of \$2.4 million over the prior year. Revenues of \$16.2 million exceeded expenditures of \$13.8 million.

Approximately 37 percent (\$10.3 million) of the ending fund balance constitutes unassigned fund balance, which means it is available for spending at the District's discretion. The remainder of the ending fund balance is categorized as nonspendable (1 percent of total fund balance), restricted (10 percent of total fund balance), or committed (52 percent of total fund balance), indicating that it is not available for new spending because it has already been designated as:

<u>Nonspendable</u>	
Prepaid items & computer loans	\$ 244,323
<u>Restricted</u>	
Assets held in trust (pension)	2,684,852
<u>Committed</u>	
Retirement contingency	5,464
Liability reserve	365,457
Emergency vector control	1,659,258
Habitat remediation	100,002
Facilities improvement	12,466,904

At the end of the current fiscal year the unassigned fund balance of the General Fund was \$10,296,720 while the total fund balance was \$27,822,980. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The unassigned fund balance represents 75 percent of the year's expenditures while the total fund balance represents 201 percent of expenditures.

Fund balance increased in fiscal year 2021-22 by \$2.4 million while in the prior year, fund balance increased by \$3.2 million. The \$0.8 million decrease from FY 2020-21 was a result of lower revenues in FY 2021-22 of \$0.5 million in addition to expenditures being higher by \$0.3 million.

The reasons for the change in revenues are essentially the same as the reasons for the change in government-wide revenues since the General Fund comprises all of the governmental activities of the District. Revenues increased by \$0.5 million as a result of higher property taxes due to increased assessed values. However, investment income decreased by \$1.2 million due to rising interest rates throughout the fiscal year which caused a large drop in the fair value of investments as of June 30; this resulted in unrealized losses, which substantially reduced investment income for the year.

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

Expenditures increased \$0.3 million due to higher costs for employees in the operations department and higher costs for chemicals used. The prior year's costs were lower due to modified operations during the pandemic, mainly employing fewer seasonal personnel.

**Budgetary Highlights**

In preparing its budget, the District attempts to estimate its revenues using realistic, but conservative, methods so as to budget its expenditure appropriations and activities in a prudent manner. During the course of the year, the Board of Trustees did not amend the District's originally adopted expenditure budget.

The General Fund balance reflected a positive net budget variance of \$1.8 million when comparing actual amounts to the final budget for the current fiscal year. This amount reflects a positive variance of \$0.1 million in revenues and a positive variance of \$1.7 million in expenditures. The positive revenue variance mainly resulted from actual revenues exceeding the budget for all line items except for investment income. The positive expenditure variance resulted mainly from actual expenditures being less than the final budget in all departments, with the most significant variances in the technical services and field operations departments.

**Capital Asset and Debt Administration**

**Capital assets.** The District's capital assets for governmental activities as of June 30, 2022, total \$5,067,183, net of accumulated depreciation. This is a net decrease of \$13,000 from June 30, 2021. The capital assets include land, structure and improvements, equipment and furniture, and vehicles. Capital asset additions totaled \$327,950 and depreciation expense totaled \$340,927. All capital asset disposals were fully depreciated assets and resulted in no loss. Additional information on the District's capital assets can be found in the Capital Assets Note (Note 4) of the Notes to Basic Financial Statements.

**Capital Assets, net of depreciation**

	6/30/2021	6/30/2022
Land	\$ 2,010,329	\$ 2,010,329
Structures and improvements	1,693,073	1,576,372
Equipment and furniture	641,947	627,544
Vehicles	734,811	852,938
Total	\$ 5,080,160	\$ 5,067,183

**Long-term debt.** At the end of the current fiscal year, the District had total debt outstanding of \$3,313,319. Information on employee compensated absences can be found in Note 1(J) and Note 5 of the Notes to Basic Financial Statements. Information on the net pension liability can be found in Note 8A of the Notes to Basic Financial Statements, under the heading of CalPERS Defined Benefit Pension Plan. Information on the net OPEB liability can be found in Note 9(C) of the Notes to Basic Financial Statements.

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

**Outstanding Debt**

	6/30/2021	6/30/2022
Employee compensated absences	\$ 663,788	\$ 614,003
Net pension liability	2,649,531	502,480
Net OPEB liability	-	451,903
Total	\$ 3,313,319	\$ 1,568,386

**Economic Factors and Next Year's Budget**

The District's overall revenues for FY 2022-23 are budgeted to be \$17.2 million while expenditures are budgeted to be \$14.0 million. These budgetary expectations reflect the continuation of program enhancements such as the education and outreach programs, the expansion of the fish program as well as new and innovative programs such as the drone and SIT programs. The FY 2022-23 budget continues the fund balance reserve policy whereby \$500,000 is annually added to the facilities improvement fund balance commitment.

The majority of the funding for the District's programs comes from property taxes and assessments:

- Property taxes are budgeted at \$7.2 million, an increase of \$0.4 million over the prior year.
- Assessments for Assessment District No. 1 will remain at \$1.92 per parcel and are projected to yield \$1.6 million, similar to the prior year.
- Assessments for Assessment District No. 2 will increase from \$7.70 per parcel to \$8.30 per parcel and are projected to yield \$7.4 million.

All other revenues are expected to remain generally stable with the prior fiscal year.

FY 2022-23 will be the last year of a four-year labor agreement, and personnel costs are anticipated to increase slightly to \$11.1 million in accordance with the agreement and are estimated to account for 69 percent of the District's operating expenditures which is consistent with prior years.

Capital outlay costs are budgeted to be \$513,600 for vehicles and equipment in fiscal year 2022-23. The most significant proposed capital purchase includes \$200,000 for a new SIT insectary and \$300,000 for vehicle replacements/additions.

The District's total fund balance is estimated to be \$26.1 million as of June 30, 2023.

**Requests for Information**

This financial report is designed to provide a general overview of the financial position of the Orange County Mosquito and Vector Control District for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administrative Services Department, 13001 Garden Grove Boulevard, Garden Grove, CA 92843.

## **BASIC FINANCIAL STATEMENTS**

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 25,091,499
Restricted - Cash and Investments Held by Pension Trust	2,684,852
Receivables:	
Accounts	48,287
Taxes	152,824
Accrued Interest	69,669
Due from Other Governments	145,273
Lease	769,493
Loans	268
Prepaid Costs	244,055
Net Pension Asset	5,501,623
Capital Assets, Not Being Depreciated	2,010,329
Capital Assets, Net of Depreciation	3,056,854
Total Assets	39,775,026
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Amounts from OPEB	642,652
Deferred Amounts from Pension Plans	1,895,602
Total Deferred Outflows of Resources	2,538,254
<b>LIABILITIES</b>	
Accounts Payable	119,213
Accrued Liabilities	367,627
Unearned Revenue	71,058
Deposits Payable	34,628
Noncurrent Liabilities:	
Due Within One Year:	
Compensated Absences	202,621
Due in More Than One Year:	
Compensated Absences	411,382
Net OPEB Liability	451,903
Net Pension Liability	502,480
Total Liabilities	2,160,912
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Amounts from Pension Plans	5,156,446
Deferred Amounts from Lease	769,493
Total Deferred Inflows of Resources	5,925,939
<b>NET POSITION</b>	
Net Investment in Capital Assets	5,067,183
Restricted for Pensions	8,186,475
Unrestricted	20,972,771
Total Net Position	\$ 34,226,429

See accompanying Notes to Basic Financial Statements.



**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Revenue and Changes in Net Position
<b>GOVERNMENTAL ACTIVITIES</b>					<b>Governmental Activities</b>
General Government	\$ 1,343,096	\$ 352,691	\$ -	\$ -	\$ (990,405)
Health and Sanitation	9,431,744	124,749	191,012	-	(9,115,983)
Total Governmental Activities	<u>\$ 10,774,840</u>	<u>\$ 477,440</u>	<u>\$ 191,012</u>	<u>\$ -</u>	(10,106,388)
<b>GENERAL REVENUES</b>					
Taxes:					
Property Taxes and Assessments, Levied for General Purpose					16,219,508
Investment Income (Loss)					(687,622)
Miscellaneous					28,828
Total General Revenues					<u>15,560,714</u>
<b>CHANGE IN NET POSITION</b>					5,454,326
<b>NET POSITION</b>					
Beginning of Year					<u>28,772,103</u>
End of Year					<u>\$ 34,226,429</u>

See accompanying Notes to Basic Financial Statements.

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2022**

**ASSETS**

Cash and Investments	\$ 25,091,499
Restricted - Cash and Investments Held by Pension Trust	2,684,852
Receivables:	
Accounts	48,287
Taxes	152,824
Accrued Interest	69,669
Due from Other Governments	145,273
Lease	769,493
Loans	268
Prepaid Items	<u>244,055</u>
Total Assets	<u><u>\$ 29,206,220</u></u>

**LIABILITIES, DEFERRED INFLOWS OF  
RESOURCES AND FUND BALANCES**

**LIABILITIES**

Accounts Payable	\$ 119,213
Accrued Liabilities	367,627
Unearned Revenue	71,058
Deposits Payable	<u>34,628</u>
Total Liabilities	592,526

**DEFERRED INFLOWS OF RESOURCES**

Unavailable Revenues	21,221
Lease	<u>769,493</u>
Total Deferred Inflows of Resources	790,714

**FUND BALANCES**

Nonspendable:	
Prepaid Items	244,055
Loans	268
Restricted:	
Pension Trust	2,684,852
Committed:	
Retirement Contingency	5,464
Liability Reserve	365,457
Emergency Vector Control	1,659,258
Habitat Remediation	100,002
Facilities Improvements	12,466,904
Unassigned	<u>10,296,720</u>
Total Fund Balances	<u><u>27,822,980</u></u>

Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 29,206,220</u></u>
--	-----------------------------

See accompanying Notes to Basic Financial Statements.

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2022**

Fund Balances - Total Governmental Funds \$ 27,822,980

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, net of depreciation, have not been included as financial resources in the governmental funds' activity. 5,067,183

Long-term liabilities are not available to pay for current-period expenditures and therefore, are not reported in the governmental funds. Long-term liabilities consist of the following:

Compensated Absences (614,003)

Certain revenues in the governmental funds are deferred inflows of resources because they are not collected within the prescribed time period after year-end. However, these revenues are included in the government-wide statements. 21,221

Pension and OPEB amounts applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Deferred outflows of resources and deferred inflows of resources related to pensions and OPEB are only reported in the statement of net position as the changes in these amounts affects only the government-wide statements for governmental activities.

Deferred Outflows of Resources Related to OPEB	642,652
Net OPEB Liability	(451,903)
Deferred Outflows of Resources Related to Pensions	1,895,602
Deferred Inflows of Resources Related to Pensions	(5,156,446)
Net Pension Asset	5,501,623
Net Pension Liability	<u>(502,480)</u>

Net Position of Governmental Activities \$ 34,226,429

*See accompanying Notes to Basic Financial Statements.*

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2022**

**REVENUES**

Taxes and Assessments	\$ 16,219,508
Intergovernmental	191,012
Charges for Services	136,953
Investment Income (Loss)	(687,622)
Property-Related Income	352,691
Miscellaneous	28,828
Total Revenues	16,241,370

**EXPENDITURES**

Current:	
General Government	2,394,943
Health and Sanitation	11,058,512
Capital Outlay	358,074
Total Expenditures	13,811,529

**EXCESS OF REVENUES OVER EXPENDITURES**

2,429,841

Fund Balances - Beginning of Year

25,393,139

**FUND BALANCES - END OF YEAR**

\$ 27,822,980

*See accompanying Notes to Basic Financial Statements.*

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

Net Change in Fund Balances - Total Governmental Funds \$ 2,429,841

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:

Capital Outlay	327,950
Depreciation	(340,927)

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

49,785

Certain revenues in the governmental funds are deferred inflows of resources because they are not collected within the prescribed time period after year-end. However, these revenues are included in the government-wide statements.

(12,204)

OPEB expenditures reported in the governmental funds includes the insurance premiums paid. In the statement of activities, OPEB expense includes the change in the OPEB liability (asset), and related change in OPEB amounts for deferred outflows of resources and deferred inflows of resources.

(81,397)

Pension expenditures reported in the governmental funds includes the annual required contributions. In the statement of activities, pension expense includes the change in the net pension liability, and related change in pension amounts for deferred outflows of resources and deferred inflows of resources.

3,081,278

Change in Net Position of Governmental Activities

\$ 5,454,326

*See accompanying Notes to Basic Financial Statements.*

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
BUDGETARY COMPARISON STATEMENT BY DEPARTMENT  
GENERAL FUND  
YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>RESOURCES (INFLOWS)</b>				
Taxes and Assessments	\$ 15,536,500	\$ 15,536,500	\$ 16,219,508	\$ 683,008
Intergovernmental	64,991	64,991	191,012	126,021
Charges for Services	60,000	60,000	136,953	76,953
Investment Income (Loss)	124,000	124,000	(687,622)	(811,622)
Property-Related Income	299,909	299,909	352,691	52,782
Miscellaneous	27,000	27,000	28,828	1,828
Total Resources (Inflows)	<u>16,112,400</u>	<u>16,112,400</u>	<u>16,241,370</u>	<u>128,970</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS)</b>				
Current:				
General Government:				
Trustees	76,050	76,050	53,495	22,555
District Manager	455,145	455,145	423,812	31,333
Legal Services	122,000	122,000	60,177	61,823
Nondepartmental	431,500	431,500	257,703	173,797
Administrative Services	880,345	880,345	806,606	73,739
Insurance	787,600	787,600	754,413	33,187
Facilities Improvements	44,500	44,500	38,737	5,763
Health and Sanitation:				
Technical Services	2,007,370	2,007,370	1,782,411	224,959
Field Operations	7,110,935	7,110,935	6,598,530	512,405
Vehicle Maintenance	702,865	702,865	639,038	63,827
Building Maintenance	291,455	291,455	245,028	46,427
Public Information	784,085	784,085	688,555	95,530
Information Technology	808,995	808,995	753,010	55,985
Public Service	169,310	169,310	157,327	11,983
Retiree Medical Insurance	185,010	185,010	179,244	5,766
Retirement Trust Administrative Fees	300,000	300,000	15,369	284,631
Capital Outlay	326,000	326,000	358,074	(32,074)
Total Charges to Appropriations (Outflows)	<u>15,483,165</u>	<u>15,483,165</u>	<u>13,811,529</u>	<u>1,671,636</u>
<b>EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS</b>	629,235	629,235	2,429,841	1,800,606
<b>FUND BALANCE</b>				
Beginning of Year	<u>25,393,139</u>	<u>25,393,139</u>	<u>25,393,139</u>	<u>-</u>
End of Year	<u>\$ 26,022,374</u>	<u>\$ 26,022,374</u>	<u>\$ 27,822,980</u>	<u>\$ 1,800,606</u>

See accompanying Notes to Basic Financial Statements.

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Reporting Entity**

The Orange County Mosquito Abatement District was formed in 1947, in accordance with Division 3, Chapter 5, of the California Health and Safety Code. By resolution of the Board of Trustees, the name of the District was changed to Orange County Vector Control District, effective January 1, 1976, and to Orange County Mosquito and Vector Control District (the District) effective January 15, 2015. The District encompasses all of Orange County. The governing power of the District is vested in a Board of Trustees, consisting of one member appointed by the Orange County Board of Supervisors for the County at large and one member appointed by each City Council within the District. Members are appointed and serve a two to four-year term and are provided \$100 per monthly meeting attended in lieu of travel expenses.

**B. Government-Wide and Fund Financial Statements**

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District, except for its fiduciary activities. The District has no fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's general fund. Separate financial statements for the District's governmental fund are presented after the government-wide financial statements. These statements display information about the major fund individually.

The District reports the following major governmental fund:

The General Fund is used to account for all financial activity in the District.

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations are reported in the government-wide financial statements. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, current assets, current liabilities and deferred inflows of resources are generally included on the balance sheets. The reported fund balance is considered to be a measure of "available spendable resources." Governmental fund financial statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Measurable means that amounts can be estimated, or otherwise determined. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, rental income, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.



**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. New Accounting Pronouncements**

Current Year Standards

GASB 87

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The District adopted the requirements of the guidance effective July 1, 2021 and has applied the provisions of this standard to the beginning of the period of adoption.

**E. Investments**

Investments are reported at the fair value, which represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

**F. Capital Assets**

Capital assets that include land, structures and improvements, equipment and furniture, and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of more than \$3,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Structures and Improvements	30 Years
Equipment and Furniture	5 to 20 Years
Vehicles	8 to 15 Years

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and the governmental funds balance sheet reports 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 future periods and so will not be recognized as an outflow of resources (expense) until that time. The District has the following items that qualify for reporting in this category:

- Deferred outflows related to the pension plans equal to employer contributions made after the measurement date of the net pension liability.
- Deferred outflows related to the pension plans for changes in employer's proportion and differences between employer contributions and the employer's proportionate share of contributions, differences between actual and expected experience, and changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans.
- Deferred outflows related to the OPEB for differences between actual and expected experience and changes in assumptions. These amounts are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with retiree healthcare through the plan.
- Deferred outflows related to OPEB for the net differences between projected and actual earnings on pension plan investments. Each annual amount is amortized over five years.

In addition to liabilities, the statement of net position and the governmental funds balance sheet reports 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 and will not be recognized as an inflow of resources (revenue) until that time. The District has the following items that qualify for reporting in this category:

- Deferred inflows for *unavailable revenues* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: charges for services. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.
- Deferred inflows related to pensions for differences between actual and expected experience. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plans.
- Deferred inflows related to the pension plans resulting from the net differences between projected and actual earnings on investments of the pension plan fiduciary net position. These amounts are amortized over five years.

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Deferred Outflows/Inflows of Resources (Continued)**

- Deferred inflows related to leases for amounts not yet received. These amounts are deferred and recognized as an inflow of resources in the period that the amounts are available or earned.

**H. Compensated Absences**

Compensated absences (vacation, compensatory time off, and sick leave) are reported as expenditures in the general fund when paid. Any remaining unpaid liability at year-end is recorded on the statement of net position since such obligation is not payable with currently available financial resources, and paid by resources in the District's general fund.

Upon termination, the District is obligated to compensate employees the earned, but unused vacation and compensatory time. At June 30, 2022, there were no employee contracts which included provisions to pay out unused sick leave.

**I. Net Position**

The financial statements utilize a net position presentation. Net position is categorized as follows:

Net Investment in Capital Assets

This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction or improvement of those assets and capital related payables.

Restricted Net Position

This component of net position consists of external constraints placed on net position imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position

This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted."

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Fund Equity**

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

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

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

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

Assigned include amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The District General Manager is authorized to assign amounts to a specific purpose, which was established by the governing body in the Fund Balance Policy.

Unassigned include the residual amounts that have not been restricted, committed, or assigned to specific purposes. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned. The unassigned fund balance classification includes the below reserves:

An operating reserve equal to two to six months (17-50%) of annual operating fund revenues. These funds are set aside to address risks facing the District related to revenue stability and expenditure volatility, including such items as economic downturns, limitations on increases to the District's benefit assessments, insurance and claims experience, and future operating needs. As of June 30, 2022, the balance in this reserve is \$2,600,000.

Vehicle and equipment replacement reserves for future vehicle and equipment replacements and improvements. This reserve will be maintained at the estimated amount of resources needed to replace assets for the next five years. Additional resources may be maintained such that the total reserves equal the amount of accumulated depreciation of assets, based on estimated replacement costs. As of June 30, 2022, the balance in the vehicle and equipment replacement reserves was \$583,274 and \$828,726, respectively.

Restricted amounts are to be considered spent when an expenditure is incurred for purposes for which the restricted fund balance is available. Committed, assigned, and unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. Fund Equity (Continued)**

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

**K. Property Taxes**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1, and are payable in two installments on November 1 and February 1, and become delinquent December 11 and April 11. The County bills and collects the property taxes and remits them to the District in installments during the year. District property tax revenues are recognized when levied to the extent that they result in current receivables.

The County is permitted by state law (Proposition 13) to levy taxes at 1 % of full market value (at time of purchase) and can increase the assessed values no more than 2% per year. The District receives a share of this basic levy proportionate to what was received in the 1976 to 1978 period.

**L. Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System (CalPERS) plans and Orange County Employees Retirement System (OCERS) plan (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS and OCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**M. OPEB Plan**

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

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Use of Estimates**

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

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Data**

The District adopts an itemized budget statement of anticipated revenues, estimated operating expenditures and reserve requirements and files it with the County Auditor's office annually. The sources of financing operating costs and reserve requirements are: (1) available balance carried forward from the preceding year, (2) property taxes and assessments, (3) interest, and (4) other miscellaneous items. The legal level of control is by department.

**Excess of Expenditures over Appropriations**

Excess of expenditures over appropriations by department in the general fund are as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Major Fund:			
General Fund:			
Capital Outlay	\$ 326,000	\$ 358,074	\$ (32,074)

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 3 CASH AND INVESTMENTS**

**Cash and Investments**

Cash and investments as of June 30, 2022 are classified in the accompanying government-wide statement of net position as follows:

Cash and Investments	\$ 25,091,499
Restricted Cash and Investments:	
Held by Pension Trust	<u>2,684,852</u>
Total Cash and Investments	<u>\$ 27,776,351</u>

Cash and investments consist of deposits and investments, as noted below:

Deposits with Financial Institutions	\$ 2,625,048
Investments	22,466,451
Restricted Investments:	
Held by Pension Trust	<u>2,684,852</u>
Total Cash and Investments	<u>\$ 27,776,351</u>

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

The District's Investment Policy is reviewed and adopted by the Board of Trustees each year. Investment vehicles not specifically mentioned in the District's investment policy, are not authorized unless the policy is amended by the Board of Trustees. The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of the employer contributions to the pension trust that is governed by the trust agreement.

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Investments Authorized by the California Government Code and the District's Investment Policy (Continued)**

<u>Authorized Investment Type</u>	<u>Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 Years	None	10%
U.S. Treasury Issues	5 Years	None	None
State Obligations: CA and Others	5 Years	None	None
CA Local Agency Obligations	5 Years	None	None
U.S. Agency Obligations (Federal Agency Issues)	5 Years	None	None
Bankers Acceptances	180 Days	40%	30%
Commercial Paper: Non-pooled Funds	270 Days	25%	None
Commercial Paper: Pooled Funds	270 Days	40%	None
Negotiable Certificates of Deposit	5 Years	30%	None
Non-Negotiable Certificates of Deposit	5 Years	None	None
Placement Service Deposits	5 Years	30%	None
Placement Service Certificates of Deposit	5 Years	30%	None
Repurchase Agreements	1 Year	None	None
Reverse Repurchase Agreements and Securities Lending Agreements	92 Days	20%	None
Medium-Term Notes	5 Years	30%	None
Mutual Funds and Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through and Asset Backed Securities	5 Years	20%	None
Supranational Obligations	5 Years	30%	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Orange County Investment Pool (OCIP)	N/A	None	None
CalTRUST	N/A	None	None

N/A - Not Applicable

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity as necessary to provide the cash flow and liquidity needed for operations.



**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Interest Rate Risk (Continued)**

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity as of June 30, 2022:

Investment Type	Fair Value	Remaining Maturity			
		12 Months or Less	13 to 24 Months	25 to 36 Months	37 to 60 Months
Local Agency Investment Fund (LAIF)	\$ 15,704,001	\$ 15,704,001	\$ -	\$ -	\$ -
Orange County Investment Pool (OCIP)	1,713,853	1,713,853	-	-	-
Money Market Mutual Funds	147,808	147,808	-	-	-
Medium Term Notes	984,203	500,065	-	96,747	387,391
Local Agency Bonds	2,177,445	209,315	48,896	717,649	1,201,585
United States Treasury Issues	440,990	-	247,960	98,402	94,628
Federal Agency Issues	266,211	-	-	-	266,211
Negotiable Certificates of Deposit	1,031,940	637,628	195,156	-	199,156
PARS Pension Trust Fund	2,684,852	2,684,852	-	-	-
<b>Total</b>	<b>\$ 25,151,303</b>	<b>\$ 21,597,522</b>	<b>\$ 492,012</b>	<b>\$ 912,798</b>	<b>\$ 2,148,971</b>

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The only minimum rating required by the California Government Code that is applicable to the District's investments is a rating of "A" or better for medium term notes and a rating of "AAA" for money market mutual funds.

Presented below are the actual ratings by Standard & Poor's as of year-end for each investment type for the fiscal year ended June 30, 2022:

Investment Type	AAA	AA+	AA	AA-	Other	Not Rated	Not Required to be Rated	Total
Local Agency Investment Fund (LAIF)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,704,001	\$ -	\$ 15,704,001
Orange County Investment Pool (OCIP)	1,713,853	-	-	-	-	-	-	1,713,853
Money Market Mutual Funds	-	-	-	-	-	147,808	-	147,808
Medium Term Notes	99,704	-	-	-	884,499	-	-	984,203
Local Agency Bonds	197,334	210,547	1,236,622	160,710	372,232	-	-	2,177,445
United States Treasury Issues	-	-	-	-	-	-	440,990	440,990
Federal Agency Issues	-	266,211	-	-	-	-	-	266,211
Negotiable Certificates of Deposit	-	-	-	-	-	1,031,940	-	1,031,940
PARS Pension Trust Fund	-	-	-	-	-	2,684,852	-	2,684,852
<b>Total</b>	<b>\$ 2,010,891</b>	<b>\$ 476,758</b>	<b>\$ 1,236,622</b>	<b>\$ 160,710</b>	<b>\$ 1,256,731</b>	<b>\$ 19,568,601</b>	<b>\$ 440,990</b>	<b>\$ 25,151,303</b>

Investment Type	A+	A	A-	Total Other
Local Agency Investment Fund (LAIF)	\$ -	\$ -	\$ -	\$ -
Orange County Investment Pool (OCIP)	-	-	-	-
Money Market Mutual Funds	-	-	-	-
Medium Term Notes	149,993	270,404	464,102	884,499
Local Agency Bonds	107,420	-	264,812	372,232
United States Treasury Issues	-	-	-	-
Federal Agency Issues	-	-	-	-
Negotiable Certificates of Deposit	-	-	-	-
PARS Pension Trust Fund	-	-	-	-
<b>Total</b>	<b>\$ 257,413</b>	<b>\$ 270,404</b>	<b>\$ 728,914</b>	<b>\$ 1,256,731</b>

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Concentration of Credit Risk**

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Other than external investment pools, the District had no investments that exceeded 5% of the portfolio.

**Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit).

The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. At June 30, 2022, the District deposits (bank balances) were insured by the Federal Deposit Insurance Corporation up to \$250,000 or collateralized as required under California Law.

**District Investments in State Investment Pool and County Investment Pool**

The District is a voluntary participant in the LAIF that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The State Treasurer's Office audits the fund annually. The District is also a voluntary participant in the Orange County Investment Pool (OCIP) that is regulated by California Government Code and the Orange County Board of Supervisors under the oversight of the County of Orange Treasury Oversight Committee. The fair value of the District's investments in these pools is reported in the accompanying financial statements at amounts based upon the District's pro rata share of the fair value provided by LAIF and OCIP for each respective portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF and OCIP, which are recorded on an amortized cost basis.

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Cash and Investments – PARS Pension Trust**

Investment Policy

The District established a trust account with Public Agency Retirement Services (PARS) to hold assets that are legally restricted for use in administering the District's Pension Plan. The PARS Pension Trust's specific cash and investments are managed by a third-party portfolio manager under guidelines approved by the District.

Those guidelines are as follows:

Risk Tolerance:           Moderate

Risk Management:    The portfolio is constructed to control risk through four layers of diversification - asset classes (cash, fixed income, equity), investment styles (large cap, small cap, international, value, growth), managers and securities. Disciplined mutual fund selection and monitoring process helps to drive return potential while reducing portfolio risk.

Investment Objective: To provide current income and moderate capital appreciation. It is expected that dividend and interest income will comprise a significant portion of total return, although growth through capital appreciation is equally important.

Strategic Ranges:    0% - 20% Cash  
                              40% - 60% Fixed Income  
                              40% - 60% Equity

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Fair Value Measurements**

The District categorizes its fair value measurement within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are quoted prices for similar assets in active markets (significant other observable inputs), and Level 3 inputs are significant unobservable inputs.

Deposits and securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The District had the following recurring fair value measurements as of June 30, 2022:

	Fair Value	Quoted Prices Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3
Investment Type (Subject to Hierarchy):				
Medium Term Notes	\$ 984,203	\$ -	\$ 984,203	\$ -
Local Agency Bonds	2,177,445	-	2,177,445	-
United States Treasury Issues	440,990	-	440,990	-
Federal Agency Issues	266,211	-	266,211	-
Negotiable Certificates of Deposit	1,031,940	-	1,031,940	-
Total Subject to Hierarchy	4,900,789	\$ -	\$ 4,900,789	\$ -
Uncategorized (Not Subject to Hierarchy):				
Local Agency Investment Fund (LAIF)	15,704,001			
Orange County Investment Pool (OCIP)	1,713,853			
Money Market Mutual Funds	147,808			
PARS Pension Trust Fund	2,684,852			
Total Investment Portfolio	\$ 25,151,303			

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 4 CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2022, is as follows:

	Balance at July 1, 2021	Additions	Deletions/ Transfers	Balance at June 30, 2022
Capital Assets, Not Depreciated:				
Land	\$ 2,010,329	\$ -	\$ -	\$ 2,010,329
Total Capital Assets, Not Depreciated	2,010,329	-	-	2,010,329
Capital Assets, Being Depreciated:				
Structures and Improvements	4,548,177	-	-	4,548,177
Equipment and Furniture	1,265,965	87,330	-	1,353,295
Vehicles	2,325,855	240,620	(79,997)	2,486,478
Total Capital Assets, Being Depreciated	8,139,997	327,950	(79,997)	8,387,950
Less Accumulated Depreciation for:				
Structures and Improvements	(2,855,104)	(116,701)	-	(2,971,805)
Equipment and Furniture	(624,018)	(101,733)	-	(725,751)
Vehicles	(1,591,044)	(122,493)	79,997	(1,633,540)
Total Accumulated Depreciation	(5,070,166)	(340,927)	79,997	(5,331,096)
Total Capital Assets, Being Depreciated, Net	3,069,831	(12,977)	-	3,056,854
Governmental Activity Capital Assets, Net	<u>\$ 5,080,160</u>	<u>\$ (12,977)</u>	<u>\$ -</u>	<u>\$ 5,067,183</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Health and Sanitation	<u>\$ 340,927</u>

**NOTE 5 COMPENSATED ABSENCES**

The change in the District's compensated absences liability during the year ended June 30, 2022 consisted of the following:

	Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022	Due Within One Year
Compensated Absences	<u>\$ 663,788</u>	<u>\$ 535,783</u>	<u>\$ (585,568)</u>	<u>\$ 614,003</u>	<u>\$ 202,621</u>

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 6 DEFERRED COMPENSATION PLAN**

The District offers its employees a defined contribution deferred compensation plan in accordance with Internal Revenue Code Section 457 whereby employees authorize the District to withhold funds from their wages to be invested in individual savings accounts and other investments. Each participant directs the investments of their respective accounts and no contributions are required to be made by the District. Funds may be withdrawn by participants at termination of employment or retirement. Pursuant to Section 457, the District established trusts in which all assets are held by ICMA Retirement Corporation and Nationwide Retirement Solutions. These assets are held for the exclusive benefit of the plan participants and their beneficiaries and are not available to the creditors of the District. For this reason, the assets and related liabilities of the plan are not included in the financial records of the District and are not included in the accompanying financial statements. For the year ended June 30, 2022, employee contributions to the plan totaled \$723,217.

**NOTE 7 SELF-INSURANCE PROGRAM**

The District is a member of the Vector Control Joint Powers Agency (Agency).

**Description of Joint Powers Agency**

The Agency is comprised of California member districts and is organized under a Joint Powers Agreement pursuant to the California Government Code. The purpose of the Agency is to arrange and administer programs of insurance for the pooling of specific self-insurance limits and purchase excess insurance coverage above those limits. Each member District is represented on the board of directors. Officers of the Agency are elected annually by the board members.

**Self-insurance Programs of the Agency**

**General Liability and Workers' Compensation**

Periodic deposits/expenditures are paid by member districts and are adjusted retrospectively to cover actual costs. Each member district has a specific retention level. The District has a self-insured retention level of \$25,000 for general liability, automobile liability, and errors of omissions, and \$50,000 for workers' compensation and pays 100% of all losses incurred under those amounts. The District does not share or pay for losses of other districts under their retention level. Losses of \$50,000 to \$500,000 are pooled among all participating districts for workers' compensation and losses in excess of \$25,000 to \$1,000,000 for general liability. These limits are covered by excess insurance purchased by the Agency to a limit of \$29,500,000 for general liability and statutory coverage plus \$5,000,000 for workers' compensation subject to \$500,000 self-insured retention level. There were no instances in the past three years where a settlement exceeded the District's coverage, and no significant reductions in the insurance have occurred.

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 8 RETIREMENT PLANS**

**A. CalPERS Defined Benefit Pension Plans**

**1. General Information about the Pension Plans**

Plan Descriptions

All qualified permanent and probationary employees are eligible to participate in the District's 2.0% at 55 (Tier I), 2.0% at 60 (Tier II), and 2.0% at 62 (Tier III PEPRA) Miscellaneous Employee Pension Plans (Plans), cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for nonindustrial disability benefits after five (5) years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect for the year ended June 30, 2022, are summarized as follows:

	Miscellaneous		
	Tier I Prior to July 13, 2012	Tier II On or After July 13, 2012	Tier III - PEPRA On or After January 1, 2013
Hire Date	July 13, 2012	July 13, 2012	January 1, 2013
Benefit Formula	2%@55	2%@60	2%@62
Benefit Vesting Schedule	5 Years of Service	5 Years of Service	5 Years of Service
Benefit Payments	Monthly for Life	Monthly for Life	Monthly for Life
Retirement Age	50 - 63	50 - 63	52 - 67
Monthly Benefits, as a Percent of Eligible Compensation	1.426% to 2.418%	1.092% to 2.418%	1.0% to 2.5%
Required Employee Contribution Rates	7%	7%	6.25%
Required Employer Contribution Rates:			
Normal Cost Rate	10.880%	8.650%	7.590%
Payment of Unfunded Liability	\$ 180,827	\$ 2,700	\$ 12,490

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 8 RETIREMENT PLANS (CONTINUED)**

**A. CalPERS Defined Benefit Pension Plans (Continued)**

**1. General Information about the Pension Plans (Continued)**

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. District contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

For the fiscal year ended June 30, 2022, the District contributed the contractually required amount of \$798,166.

Additional Funding of the Pension Plan - PARS Pension Trust

In April 2019, the District approved the creation of a CalPERS defined benefit pension plan trust with PARS (Pension Trust). The PARS trust is legally restricted to providing benefits for members of the defined benefit pension plan. However, in accordance with GASB 68, the asset balance is not included in the calculation of the net pension liability above. The PARS Trust issues a publicly available financial report for the fiduciary net position that is available upon request.

The District made contributions totaling \$300,000 to the PARS Pension Trust in the fiscal year ended June 30, 2022. Investment losses of \$318,125 and administrative expenses of \$15,369 resulted in an asset balance of \$2,684,852 as of June 30, 2022, which is shown as a restricted asset on both the Statement of Net Position and the Balance Sheet – Governmental Funds.



**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 8 RETIREMENT PLANS (CONTINUED)**

**A. CalPERS Defined Benefit Pension Plans (Continued)**

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

As of June 30, 2022, the District reported a net pension liability for its proportionate share of the net pension liability as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	<u>\$ 502,480</u>

The District's net pension liability for each Plan is measured as the proportionate share of the net pension liability, which is based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The net pension liability of each of the Plans is measured as of June 30, 2021.

The District's proportionate share of the net pension liability for all Plans as of the measurement dates ended June 30, 2021 and 2020 was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2020	0.06281%
Proportion - June 30, 2021	<u>0.02646%</u>
Change - Increase (Decrease)	<u>-0.03635%</u>

For the year ended June 30, 2022, the District recognized pension income of \$873,499. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension Contributions Subsequent to Measurement Date	\$ 798,166	\$ -
Differences Between Actual and Expected Experience	56,348	-
Changes in Employer's Proportion and Differences Between the Employer's Contributions and the Employer's Proportionate Share of Contributions	546,722	-
Net Differences Between Projected and Actual Earnings on Plan Investments	-	(438,637)
Total	<u>\$ 1,401,236</u>	<u>\$ (438,637)</u>

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 8 RETIREMENT PLANS (CONTINUED)**

**A. CalPERS Defined Benefit Pension Plans (Continued)**

**2. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

\$798,166 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2023	\$ 190,009
2024	106,467
2025	(10,826)
2026	(121,217)
2027	-
Thereafter	-

Actuarial Assumptions

The total pension liability for the June 30, 2021 measurement period was determined by an actuarial valuation as of June 30, 2020, with standard update procedures used to roll forward the total pension liability to June 30, 2021. The total pension liability was based on the following assumptions:

Valuation Date	<u>Miscellaneous</u>
Measurement Date	June 30, 2020
Actuarial Cost Method	June 30, 2021
Actuarial Assumptions:	Entry-Age Normal Cost Method
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	(1)
Mortality Rate Table	(2)
Postretirement Benefit Increase	(3)

(1) Varies by entry age and service.

(2) The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Preretirement and Postretirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

(3) The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on purchasing power applies, 2.50% thereafter.

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 8 RETIREMENT PLANS (CONTINUED)**

**A. CalPERS Defined Benefit Pension Plans (Continued)**

**2. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

Long-Term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100.00%		

(a) In the CalPERS CAFR, fixed income is included in Global Debt Securities; liquidity is included in short-term investments; inflation assets are included in both Global Equity Securities, and Global Debt Securities.

(b) An expected inflation of 2.0% used for this period.

(c) An expected inflation of 2.92% used for this period.

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 8 RETIREMENT PLANS (CONTINUED)**

**A. CalPERS Defined Benefit Pension Plans (Continued)**

**2. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

Discount Rate

The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (6.15%)	Discount Rate (7.15%)	1% Increase (8.15%)
Net Pension Liability (Asset)	\$ 2,988,175	\$ 502,480	\$ (1,552,408)

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Pension Plan Subsequent Events

On July 12, 2021, CalPERS reported a preliminary 21.3% net return on investments for fiscal year 2020-2021. Based on the thresholds specified in CalPERS Funding Risk Mitigation policy, the excess return of 14.3% prescribes a reduction in investment volatility that corresponds to a reduction in the discount rate used for funding purposes of 0.20%, from 7.00% to 6.80%. Since CalPERS was in the final stages of the four-year Asset Liability Management (ALM) cycle, the board elected to defer any changes to the asset allocation until the ALM process concluded, and the board could make its final decision on the asset allocation in November 2021.

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 8 RETIREMENT PLANS (CONTINUED)**

**A. CalPERS Defined Benefit Pension Plans (Continued)**

**2. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

Pension Plan Subsequent Events (Continued)

On November 17, 2021, the board adopted a new strategic asset allocation. The new asset allocation along with the new capital market assumptions, economic assumptions and administrative expense assumption support a discount rate of 6.90% (net of investment expense but without a reduction for administrative expense) for financial reporting purposes. This includes a reduction in the price inflation assumption from 2.50% to 2.30% as recommended in the November 2021 CalPERS Experience Study and Review of Actuarial Assumptions. This study also recommended modifications to retirement rates, termination rates, mortality rates and rates of salary increases that were adopted by the board. These new assumptions will be reflected in the GASB 68 accounting valuation reports for the June 30, 2022, measurement date.

**3. Payable to the Pension Plan**

At June 30, 2022, the District had no outstanding amount of contributions due to the pension plan required for the year ended June 30, 2022 for the CalPERS plans.

**B. Withdrawn OCERS Defined Benefit Pension Plan**

**1. General Information about the Pension Plans**

Plan Description

The District participated in the Orange County Employees' Retirement System (OCERS), a cost-sharing multiple employer, defined benefit pension plan, for all employees prior to January 5, 2007. The participating entities in OCERS share proportionally in all risks and costs, including benefit costs. The District's withdrawal as of January 4, 2007, precludes the District from sharing risks and costs with other participating entities. Only the District will be held responsible for costs of its plan and a separate calculation is prepared by OCERS for the District specifically for this plan.

OCERS was established in 1945, under the provisions of the County Employees Retirement Law of 1937, and provides members with retirement, death, disability, and cost-of-living benefits. Members employed prior to September 21, 1979, are designated as Tier I members. For Tier II members employed after September 20, 1979, the County Board of Supervisors adopted certain sections of the Government code which established formulas producing reduced allowances. OCERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost-sharing plans that are administered by OCERS. The report can be obtained from the OCERS website at [www.ocers.org](http://www.ocers.org).

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 8 RETIREMENT PLANS (CONTINUED)**

**B. Withdrawn OCERS Defined Benefit Pension Plan (Continued)**

**1. General Information about the Pension Plans (Continued)**

Benefits Provided

OCERS provides service retirement, disability, death, and survivor benefits to eligible employees. Members are eligible to retire once they attain the age of 50 and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

General member benefits are calculated pursuant to the provisions of Sections 31676.01, 31676.1, 31676.12, 31676.16, 31676.18 or 31676.19. For Section 31676.01, the monthly allowance is equal to 1/90th of final compensation times years of accrued retirement service credit times age factor from that Section. For Section 31676.1, the monthly allowance is equal to 1/60th of final compensation times years of accrued retirement service credit times age factor from that Section. For Sections 31676.12, 31676.16, 31676.18 or 31676.19, the monthly allowance is equal to 1/50th of final compensation times years of accrued retirement service credit times age factor from the corresponding Section. The maximum monthly retirement allowance is 100% of final compensation. Final average compensation consists of the highest 12 consecutive months for a General Tier 1 member and the highest 36 consecutive months for a General Tier 2 member.

The member may elect an unmodified retirement allowance or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner. An eligible surviving spouse or domestic partner is one married to or registered with the member one year prior to the effective retirement date. Certain surviving spouses or domestic partners may also be eligible if marriage or domestic partnership was at least two years prior to the date of death and the surviving spouse or domestic partner has attained age 55. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member.

Funding Policy and Contributions

The District was a contracting employer with the Orange County Employees Retirement System (OCERS) before it withdrew from OCERS and contracted with CalPERS to provide retirement benefits for its members with respect to service after January 4, 2007. Effective from the date of withdrawal, OCERS is only responsible for providing benefits to employees or retirees of Orange County Mosquito and Vector Control District who were members of OCERS before January 5, 2007.

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 8 RETIREMENT PLANS (CONTINUED)**

**B. Withdrawn OCERS Defined Benefit Pension Plan (Continued)**

**1. General Information about the Pension Plans (Continued)**

Funding Policy and Contributions (Continued)

Per the termination and continuing contribution agreement entered into on June 1, 2008 with OCERS and Orange County Mosquito and Vector Control District, commencing as of December 31, 2010 and at least every three years thereafter OCERS will hire an actuary to recalculate the District's Unfunded Actuarial Accrued Liability (UAAL) obligation, based on accumulated assets and liabilities attributable to the District. All District members with OCERS will be considered a "closed group" for purposes of recalculating the UAAL. Based on the recalculation, in the event that there is any new UAAL obligation required of the District, it will be satisfied within three years following the effective date of each recalculation, including any accrued interest. In the event there is a surplus or negative UAAL, the surplus will remain in the retirement system as a credit against any future UAAL, unless the surplus exceeds 115%, which then it may be transferred to CalPERS.

The District did not make any contributions during the fiscal year to OCERS. Also, the District did not have an amount due to OCERS based on the most recent funding actuarial valuation dated December 31, 2020.

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

As of June 30, 2022, the District reported a net pension asset for its calculated share as follows:

Net Pension Asset	<u>\$ 5,501,623</u>
-------------------	---------------------

The net pension asset was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020 rolled forward to December 31, 2021, using standard update procedures. Due to the Plan's withdrawn status, the District's total pension liability for the Plan is measured separately by OCERS. In addition, the District's fiduciary net position is estimated by adjusting the Valuation Value of Assets (VVA) for each membership class by the ratio of the total OCERS Plan's fiduciary net position to total OCERS VVA.

Although, due to the plan's withdrawn status, the Districts amounts are calculated separately for this cost-sharing plan, the proportionate share of the net pension liability (asset) as a whole is available and was as follows for the measurement dates ended December 31, 2021 and 2020:

Proportion - December 31, 2020	-0.04000%
Proportion - December 31, 2021	<u>-0.26800%</u>
Change - Increase (Decrease)	<u><u>-0.22800%</u></u>

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 8 RETIREMENT PLANS (CONTINUED)**

**B. Withdrawn OCERS Defined Benefit Pension Plan (Continued)**

**2. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

For the year ended June 30, 2022, the District recognized pension income of \$1,409,616. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Actual and Expected Experience	\$ 274,103	\$ (1,409,750)
Changes in Assumptions	220,263	-
Net Differences Between Projected and Actual Earnings on Plan Investments	-	(3,308,059)
Total	\$ 494,366	\$ (4,717,809)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2023	\$ (900,848)
2024	(1,578,178)
2025	(997,211)
2026	(660,905)
2027	(86,301)
Thereafter	-



**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 8 RETIREMENT PLANS (CONTINUED)**

**B. Withdrawn OCERS Defined Benefit Pension Plan (Continued)**

**2. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

Actuarial Assumptions

The total pension liability was based on the following assumptions:

Valuation Date	December 31, 2020
Measurement Date	December 31, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Investment Rate of Return	7.00% (1)
Discount Rate	7.00%
Inflation	2.75%
Cost of Living Adjustment	2.75%
Projected Salary Increase	4.25% - 12.25% (2)
Actuarial Experience Study	Three year period ended December 31, 2019

(1) Net of pension plan investment expense, including inflation.

(2) Varies by service, including inflation.

It should be noted that the District has previously withdrawn from OCERS, and the liabilities for the District have been determined using frozen service previously accrued while at OCERS but with projected salaries at retirement for current active employees.

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 8 RETIREMENT PLANS (CONTINUED)**

**B. Withdrawn OCERS Defined Benefit Pension Plan (Continued)**

**2. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined in 2021 using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses are shown in the following table. This information was used in the derivation of the long-term expected investment rate of return assumption for the December 31, 2021 actuarial valuation. This information will change every three years based on the actuarial experience study.

<u>Asset Class (a)</u>	<u>Target Allocation</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>
Large Cap Equity	23.10%	5.43%
Small Cap Equity	1.90%	6.21%
International Developed Equity	13.00%	6.67%
Emerging Markets Equity	9.00%	8.58%
Core Bonds	9.00%	1.10%
High Yield Bonds	1.50%	2.91%
TIPS	2.00%	0.65%
Emerging Market Debt	2.00%	3.25%
Corporate Credit	1.00%	0.53%
Long Duration Fixed Income	2.50%	1.44%
Real Estate	3.01%	4.42%
Private Equity	13.00%	9.41%
Value Added Real Estate	3.01%	7.42%
Opportunistic Real Estate	0.98%	10.18%
Energy	2.00%	9.68%
Infrastructure (Core Private)	1.50%	5.08%
Infrastructure (Non-Core Private)	1.50%	8.92%
CTA - Trend Following	2.50%	2.38%
Global Macro	2.50%	2.13%
Private Credit	2.50%	5.47%
Alternative Risk Premia	2.50%	2.50%
Total	100.00%	

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 8 RETIREMENT PLANS (CONTINUED)**

**B. Withdrawn OCERS Defined Benefit Pension Plan (Continued)**

**2. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

Long-Term Expected Rate of Return (Continued)

Note that the investment return assumption for funding purposes is developed net of both investment and administrative expenses; however, the same investment return assumption is used for financial reporting purposes, where it is considered gross of administrative expenses.

Discount Rate

The discount rate used to measure the TPL was 7.00% as of December 31, 2021. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of December 31, 2021.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (6%)	Discount Rate (7%)	1% Increase (8%)
Net Pension Asset	\$ 1,748,834	\$ 5,501,623	\$ 8,560,493

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued OCERS financial reports. The report can be obtained from the OCERS website at [www.ocers.org](http://www.ocers.org).

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 8 RETIREMENT PLANS (CONTINUED)**

**C. Pension Expense**

Pension income for the CalPERS and OCERS pension plans was \$873,499 and \$1,409,616, respectively, which results in a collective pension income of \$2,283,115 for the fiscal year ended June 30, 2022.

**D. PARS Defined Contribution Benefit Plan**

Effective December 22, 2006, the Orange County Mosquito and Vector Control District adopted the PARS 457 FICA Alternative Retirement Plan for part-time, seasonal, and temporary employees.

The PARS plan is solely funded by the contributions from the employees. The contribution rate is 7.50% of gross earnings for employees. Pursuant to federal legislation, the Section 457 plan assets were placed in trust for the exclusive benefit of all employees and their beneficiaries and are not available to the creditors of the District. For this reason, the assets and related liabilities of the plan are not included in the financial records of the District and are not included in the accompanying financial statements. For the year ended June 30, 2022, contributions to the plan totaled \$41,933.

**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN**

**A. Plan Description**

The District has an agent multiple-employer defined benefit other postemployment benefit plan that provides postemployment benefits, including medical insurance, to eligible employees and their dependents at retirement through the California Public Employees Medical and Hospital Care Act (PEMHCA) as provided under the District's memorandum of understanding with its employees. The plan provides comprehensive health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options.

District members become eligible to retire and receive District-paid healthcare benefits upon attainment of age 50 and five years of covered PERS service. Retired members over the age of 65 may join one of the Supplemental (Medicare-coordinated) options under PEMHCA or may have Medicare premiums reimbursed. Benefits are paid for the lifetime of the retiree. The District's basic contribution on behalf of retirees is determined under the "Unequal Contribution Method" as described in Government Code Section 22892(c), as applied to the statutory minimum contribution for active employees of \$143/month (2021) and \$149/month (2022). The contribution on behalf of retirees is 75% of \$143 (\$107) for 2021 and 80% of \$149 (\$119) for 2022. The percentage increases each year by 5% until it reaches 100% of the statutory minimum contribution for years 2026 and later.

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

**A. Plan Description (Continued)**

In addition to the generally applicable rules described above, there are two grandfathering provisions which apply as follows:

- (1) Employees hired prior to July 1, 2009 have an additional allowance of \$234 added to their statutory minimum as described above. The \$234 represents the medical allowance as of the date the new CalPERS resolution was adopted and is frozen for all future years. One retiree receives an additional \$200/month.
- (2) There are several grandfathered retirees who transferred from the Orange County Employees' Retirement System (OCERS) Health Plan to PEMHCA in April 2006, which is administered by CalPERS. These grandfathered retirees are eligible to receive a monthly grant equal to the greater of their 2006 monthly grant (calculated as \$400 per month, reduced for service less than 25 years), or the current District contribution as determined under the rules described in paragraph (1) above.

Employees hired on or after July 1, 2009, receive a supplemental benefit based on longevity with the District:

<u>Continuous Full-Time Service</u>	<u>Monthly Stipend</u>
10 to 15 Years	\$ 100
15 to 20 Years	150
20 or More Years	200

Retirees not in PEMHCA receive reimbursement equivalent to the lesser of the grandfathered provisions and their premium. There are several retirees receiving reimbursements for non-PEMHCA Medicare premiums less than the caps. The District also pays the PEMHCA administrative fee of 0.25% of the premium in fiscal year 2021-2022.

Employees Covered

As of the measurement date June 30, 2022, the following current and former employees were covered by the benefit terms under the plan:

Inactive Employees or Beneficiaries Currently Receiving Benefits	42
Active Employees	66
Total	108

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

**A. Plan Description (Continued)**

Contributions

Benefit provisions and contribution requirements are established and may be amended by the District's Board and/or the employee associations through agreements and memorandums of understanding between the District and its employees. Currently, contributions are not required from plan members. Administrative costs of the OPEB plan are financed through investment earnings.

In July 2008, the District elected to join the PARS OPEB Trust as a means to fund the actuarially determined contribution (ADC). The PARS OPEB Trust issues a publicly available financial report for the fiduciary net position that is available upon request. The plan itself does not issue a separate financial report.

The District currently finances benefits based on the actuarially determined contribution. For the fiscal year ended June 30, 2022, the District paid \$179,088 for current premiums and the estimated implied subsidy was \$58,795, resulting in total payments of \$237,883. The payments for current premiums of \$179,088 were not reimbursed by the OPEB trust.

Accounting for the Plan

The other postemployment benefits trust is prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of each plan.

**B. Total OPEB Liability**

Method Used to Value Investments

Investments are reported in the accompanying financial statements at fair value, which represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Securities for which market quotations are not readily available are valued at their fair value as determined by the custodian with the assistance of a valuation service.

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

**B. Total OPEB Liability (Continued)**

Actuarial Assumptions

The District's total OPEB liability was measured as of June 30, 2022 and was determined by an actuarial valuation as of July 1, 2021, rolled forward to June 30, 2022, using standard update procedures. A summary of the principal assumptions and methods used to determine the total OPEB liability is shown below.

Valuation Date	July 1, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry age normal, level percentage of payroll
Asset Valuation Method	Market value
Actuarial Assumptions:	
Discount Rate	6.50%
Long-Term Expected Rate of Return on Investments	6.50%, net of OPEB plan investment expense
Salary Increases	3.00%
General Inflation	3.00%
Medical Trend	5.75 percent for 2022, 5.50 percent for 2023, 5.20 percent for 2024-2069, and 4.50 percent for 2070 and later years. Medicare is at 4.5% for all years.
Mortality	Mortality rates were based on the CalPERS Experience Study (2000-2019).
Retirement and Termination	Retirement and termination assumptions used were based on a review of plan experience and a best estimate of future plan experience.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. The calculated investment rate of return was set equal to the expected ten-year compound (geometric) real return plus inflation (rounded to the nearest 25 basis points, where appropriate). The table below provides the long-term expected real rates of return by asset class (based on published capital market assumptions):

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
PARS OPEB Trust:		
Broad U.S. Equity	50.00%	4.40%
U.S. Fixed	45.00%	1.50%
Cash Equivalents	5.00%	0.10%
Total	<u>100.00%</u>	

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

**B. Total OPEB Liability (Continued)**

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that the District's 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.

**C. Changes in the Net OPEB Liability (Asset)**

The changes in the net OPEB liability (asset) are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
<b>Balance at June 30, 2021</b> (Measurement Date)	\$ 3,977,024	\$ 4,428,106	\$ (451,082)
<b>Changes in the Year:</b>			
Service Cost	172,896	-	172,896
Interest on the Total OPEB Liability	273,215	-	273,215
Differences Between Actual and Expected Experience	65,762	-	65,762
Changes in Assumptions	104,693	-	104,693
Contribution - Employer	-	237,883	(237,883)
Net Investment Income	-	(499,598)	499,598
Benefit Payments	(237,883)	(237,883)	-
Administrative Expenses	-	(24,704)	24,704
Net Changes	<u>378,683</u>	<u>(524,302)</u>	<u>902,985</u>
<b>Balance at June 30, 2022</b> (Measurement Date)	<u>\$ 4,355,707</u>	<u>\$ 3,903,804</u>	<u>\$ 451,903</u>

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.



**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

**C. Changes in the Net OPEB Liability (Asset) (Continued)**

Sensitivity of the Total OPEB Liability to the Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be, if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Net OPEB Liability (Asset)	\$ 939,065	\$ 451,903	\$ 39,816

Sensitivity of the Total OPEB Liability to the Changes in Medical Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be, if it were calculated using a medical trend rate that is 1-percentage point lower or 1-percentage point higher than the current medical trend rate:

	1% Decrease (4.8% Decreasing to 4.2% for 2024)	Trend Rate (5.8% Decreasing to 5.2% for 2024)	1% Increase (6.8% Decreasing to 6.2% for 2024)
Net OPEB Liability (Asset)	\$ 108,087	\$ 451,903	\$ 869,940

Changes in Assumptions

The medical trend for the fiscal year ended June 30, 2021 was 5.9% for 2020 decreasing by 0.1% per year to an ultimate rate of 5.0% for 2029 and later years. This trend was updated for the fiscal year ended June 30, 2022 to 5.75% for 2022, 5.50% for 2023, 5.20% for 2024-2069, and 4.50% for 2070 and later years and a Medicare rate of 4.50% for all years.

For the fiscal year ended June 30, 2021, the Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection. For the fiscal year ended June 30, 2022, mortality rates were based on the CalPERS Experience Study (2000-2019).

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)**

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

For the year ended June 30, 2022, the District recognized OPEB expense of \$319,280. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Actual and Expected Experience	\$ 133,165	\$ -
Changes in Assumptions	87,097	-
Net Differences Between Projected and Actual Earnings	422,390	-
Total	\$ 642,652	\$ -

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

<u>Year Ending June 30.</u>	<u>Amount</u>
2023	\$ 153,985
2024	147,305
2025	124,046
2026	191,316
2027	26,000
Thereafter	-

**E. Payable to the OPEB Plan**

At June 30, 2022, the District had no outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2022.

**NOTE 10 LEASES**

The District, acting as lessor, leases a site for a cellular tower under a long-term noncancelable lease agreement. The initial least term expired September 2020 and has the option to extend for five additional renewal terms of five years each resulting in an expected expiration of September 2045. During the year ended June 30, 2022, the District recognized \$19,324 and \$11,832 in lease revenue and interest revenue, respectively, pursuant to this contract.

The remainder of the rental income included in the Statement of Revenues, Expenditures, and Changes in Fund Balances for the year ended June 30, 2022 was \$321,535 and consists of leases that arise from renting the District's property on Haster Street in Garden Grove, California. These leases are on a month-to-month basis.

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2022**

**NOTE 11 COMMITMENTS AND CONTINGENCIES**

**State Assisted Programs**

The District participates in certain state assisted programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement that may arise as the result of these audits is not believed to be material.

**REQUIRED SUPPLEMENTARY INFORMATION**

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – CALPERS  
LAST TEN FISCAL YEARS\***

Fiscal Year Ended	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Plans' Proportion of the Net Pension Liability	0.02646%	0.06281%	0.05579%	0.04989%	0.04942%	0.04379%	0.03873%	0.04500%
Plans' Proportionate Share of the Net Pension Liability	\$ 502,480	\$ 2,649,531	\$ 2,233,924	\$ 1,880,117	\$ 1,948,055	\$ 1,521,330	\$ 1,062,408	\$ 1,112,227
Plans' Covered Payroll	\$ 6,759,803	\$ 6,652,998	\$ 6,375,440	\$ 5,930,211	\$ 5,003,137	\$ 4,993,576	\$ 4,479,991	\$ 4,184,192
Plans' Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	7.43%	39.82%	35.04%	31.70%	38.94%	30.47%	23.71%	26.58%
Plans' Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	0.10%	0.08%	0.07%	0.06%	0.06%	0.05%	0.05%	0.04%

**NOTES TO SCHEDULE**

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses.

The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2019:

Inflation was reduced from 2.75% to 2.50%.

From fiscal year June 30, 2019 to June 30, 2022:

There were no significant changes in assumptions.

\* Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
SCHEDULE OF CONTRIBUTIONS – PENSION – CALPERS  
LAST TEN FISCAL YEARS\***

Fiscal Year-End	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contribution (Actuarially Determined)	\$ 798,166	\$ 781,931	\$ 703,004	\$ 613,415	\$ 532,683	\$ 451,950	\$ 431,624	\$ 483,044
Contributions in Relation to the Actuarially Determined Contributions	(798,166)	(781,931)	(703,004)	(613,415)	(532,683)	(451,950)	(431,624)	(483,044)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 6,569,908	\$ 6,759,803	\$ 6,652,998	\$ 6,375,440	\$ 5,930,211	\$ 5,003,137	\$ 4,993,576	\$ 4,479,991
Contributions as a Percentage of Covered Payroll	12.15%	11.57%	10.57%	9.62%	8.98%	9.03%	8.64%	10.78%

**NOTES TO SCHEDULE**

Valuation Date	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012
----------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------

**Methods and Assumptions Used to**

**Determine Contribution Rates:**

Actuarial Cost Method	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization Method	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset Valuation Method	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	Market Value	15 Year Smoothed Market Method
Inflation	2.500%	2.500%	2.625%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary Increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment Rate of Return	7.00% (3)	7.00% (3)	7.25% (3)	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement Age	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed

(2) Depending on age, service, and type of employment

(3) Net of pension plan investment expense, including inflation

(4) 50 years (2%@55 and 2%@60), 52 years (2%@62)\*\*

(5) Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

\* Fiscal year 2015 was the 1st year of implementation, therefore only eight years are shown.

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY – OCERS  
LAST TEN FISCAL YEARS\***

Fiscal Year Ended	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Measurement Date	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Plans' Proportion of the Net Pension Liability	-0.268%	-0.040%	-0.012%	0.040%	0.024%	0.032%	0.034%	0.057%
Plans' Proportionate Share of the Net Pension Liability (Asset)	\$ (5,501,623)	\$ (1,681,965)	\$ (625,500)	\$ 2,492,695	\$ 1,166,920	\$ 1,669,793	\$ 1,941,891	\$ 2,900,367
Plans' Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plans' Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plans' Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	120.52%	106.03%	102.29%	90.92%	95.89%	93.78%	92.66%	89.85%

\* Fiscal year 2015 was the first year of implementation, therefore only eight years are shown.

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
SCHEDULE OF CONTRIBUTIONS – OCERS  
LAST TEN FISCAL YEARS\***

Fiscal Year-End	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually Required Contribution (Actuarially Determined)	\$ -	\$ -	\$ -	\$ 877,769	\$ -	\$ -	\$ 314,474	\$ -
Contributions in Relation to the Actuarially Determined Contributions	-	-	-	(877,769)	(4,298)	-	(314,474)	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ (4,298)	\$ -	\$ -	\$ -
Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**NOTES TO SCHEDULE**

Valuation Date	12/31/2020	(5)	(5)	12/31/2017	(5)	(5)	12/31/2014	(5)
----------------	------------	-----	-----	------------	-----	-----	------------	-----

**Methods and Assumptions Used to**

**Determine Contribution Rates:**

Actuarial Cost Method	Entry age	(5)	(5)	Entry age	(5)	(5)	Entry age	(5)
Amortization Method	(1)	(5)	(5)	(1)	(5)	(5)	(1)	(5)
Asset Valuation Method	(2)	(5)	(5)	(2)	(5)	(5)	(2)	(5)
Inflation	2.750%	(5)	(5)	2.750%	(5)	(5)	2.750%	(5)
Salary Increases	N/A	(5)	(5)	N/A	(5)	(5)	N/A	(5)
Investment Rate of Return	7.00% (3)	(5)	(5)	7.00% (3)	(5)	(5)	7.25% (3)	(5)
Retirement Age	59	(5)	(5)	59	(5)	(5)	59	(5)
Mortality	(4)	(5)	(5)	(4)	(5)	(5)	(4)	(5)

(1) Level percentage of payroll, closed

(2) The Actuarial Value of Assets is determined by recognizing any difference between the actual and the expected market return over a five-year period. The Valuation Value of Assets is the Actuarial Value of Assets reduced by the value of the non-valuation reserves.

(3) Net of pension plan investment expense, including inflation

(4) Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 5%, projected 30 years (from 2010) with the two-dimensional mortality improvement scale MP year of valuation, weighted 40% male and 60% female.

(5) Valuations are only required every three years for this withdrawn plan.

\* Fiscal year 2015 was the 1st year of implementation, therefore only eight years are shown.



**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS  
LAST TEN FISCAL YEARS\***

Fiscal Year-End	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018
Measurement Date	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017
<b>Total OPEB Liability:</b>					
Service Cost	\$ 172,896	\$ 137,998	\$ 133,979	\$ 149,564	\$ 145,208
Interest on Total OPEB Liability	273,215	249,025	237,289	204,873	193,579
Change of Benefit Terms	-	-	26,765	-	-
Change of Assumptions	104,693	-	311	-	-
Differences Between Actual and Expected Experience	65,762	-	162,711	-	-
Benefit Payments, Including Refunds and the Implied Subsidy Benefit Payments	<u>(237,883)</u>	<u>(203,116)</u>	<u>(186,651)</u>	<u>(172,520)</u>	<u>(157,788)</u>
Net Change in Total OPEB Liability	378,683	183,907	374,404	181,917	180,999
Total OPEB Liability - Beginning of Year	<u>3,977,024</u>	<u>3,793,117</u>	<u>3,418,713</u>	<u>3,236,796</u>	<u>3,055,797</u>
Total OPEB Liability - End of Year (a)	<u>4,355,707</u>	<u>3,977,024</u>	<u>3,793,117</u>	<u>3,418,713</u>	<u>3,236,796</u>
<b>Plan Fiduciary Net Position:</b>					
Contributions - Employer	237,883	403,116	186,651	332,520	157,788
Net Investment Income	(499,598)	707,874	154,442	187,022	172,915
Administrative Expenses	(237,883)	(22,488)	(21,011)	(18,258)	(17,814)
Benefit Payments, Including Refunds and the Implied Subsidy Benefit Payments	<u>(24,704)</u>	<u>(203,116)</u>	<u>(186,651)</u>	<u>(172,520)</u>	<u>(157,788)</u>
Net Change in Plan Fiduciary Net Position	(524,302)	885,386	133,431	328,764	155,101
Plan Fiduciary Net Position - Beginning of Year	<u>4,428,106</u>	<u>3,542,720</u>	<u>3,409,289</u>	<u>3,080,525</u>	<u>2,925,424</u>
Plan Fiduciary Net Position - End of Year (b)	<u>3,903,804</u>	<u>4,428,106</u>	<u>3,542,720</u>	<u>3,409,289</u>	<u>3,080,525</u>
<b>Net OPEB Liability (Asset) - Ending (a)-(b)</b>	<u>\$ 451,903</u>	<u>\$ (451,082)</u>	<u>\$ 250,397</u>	<u>\$ 9,424</u>	<u>\$ 156,271</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)</b>	89.63%	111.34%	93.40%	99.72%	95.17%
<b>Covered - Employee Payroll</b>	\$ 6,569,908	\$ 6,759,803	\$ 6,652,998	\$ 6,375,440	\$ 5,930,211
<b>Net OPEB Liability (Asset) as Percentage of Covered - Employee Payroll</b>	6.88%	-6.67%	3.76%	0.15%	2.64%

**NOTES TO SCHEDULE**

**Benefit Changes:**

There were no changes in benefits.

**Changes in Assumptions:**

The fiscal year ended June 30, 2018 is the first year of implementation and the same actuarial report was utilized for fiscal year ended June 30, 2019; therefore, there are no previous GASB 75 actuarial reports for comparison.

The fiscal year ended June 30, 2020 contained a medical trend rate of 5.9% for 2020 decreasing by 0.1% per year to an ultimate rate of 5.0% for 2029 and later years while the fiscal years ended June 30, 2019 and 2018 included a medical trend rate of 5.0% for 2018 and later years.

The fiscal year ended June 30, 2022 contained a medical trend rate of 5.75 percent for 2022, 5.50 percent for 2023, 5.20 percent for 2024-2069, and 4.50 percent for 2070 and later years. Medicare is at 4.5% for all years. Also, the mortality rates were updated to the CalPERS Experience Study (2000-2019). The previous mortality rates were based on the RP-2014 tables.

\* Fiscal year 2018 was the first year of implementation; therefore, only five years are shown.

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
SCHEDULE OF CONTRIBUTIONS – OPEB  
LAST TEN FISCAL YEARS\***

Fiscal Year-End	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
Contractually Required Contribution (Actuarially Determined)	\$ 222,187	\$ 195,944	\$ 186,651	\$ 158,204	\$ 152,416
Contributions in Relation to the Actuarially Determined Contributions	(237,883)	(403,116)	(186,651)	(332,520)	(157,788)
Contribution Deficiency (Excess)	<u>\$ (15,696)</u>	<u>\$ (207,172)</u>	<u>\$ -</u>	<u>\$ (174,316)</u>	<u>\$ (5,372)</u>
Covered - Employee Payroll	\$ 6,569,908	\$ 6,759,803	\$ 6,652,998	\$ 6,375,443	\$ 6,216,041
Contributions as a Percentage of Covered - Employee Payroll	3.62%	5.96%	2.81%	5.22%	2.54%

**NOTES TO SCHEDULE**

Valuation Date	7/1/2021	7/1/2019	7/1/2019	7/1/2017	7/1/2017
Methods and Assumptions Used to Determine Contribution Rates:					
Actuarial Cost Method	Entry age normal, level percentage of payroll				
Amortization Method	Level percent of pay				
Amortization Period	30-years				
Asset Valuation Method	Market value				
Discount Rate	6.50%				
Salary Increases	3.00%				
General Inflation	3.00%				
Medical Trend	Fiscal year ends 2018 through 2021: 5.9% for 2020 decreasing by 0.1% per year to an ultimate rate of 5.0% for 2029 and later years Fiscal year end 2022: 5.75% for 2022, 5.50% for 2023, 5.20% for 2024-2069, and 4.50% for 2070 and later years. Medicare is at 4.50% for all years.				
Mortality	Fiscal year ends 2018 through 2021: Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table for Males or Females, as appropriate, without projection. Post-retirement mortality rates were based on the RP-2014 Health Annuitant Mortality Table for Males or Females, as appropriate, without projection. Fiscal year end 2022: Mortality rates were based on the CalPERS Experience Study (2000-2019).				
Retirement and Termination	Retirement and termination assumptions used were based on a review of plan experience and a best estimate of future plan experience.				

\* Fiscal year 2018 was the first year of implementation; therefore, only five years are shown.



**INDEPENDENT AUDITORS' 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***

Board of Trustees  
Orange County Mosquito and Vector Control District  
Garden Grove, 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 and the major fund of the Orange County Mosquito and Vector Control District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 16, 2023.

**Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2022-001.

***District’s Response to Findings***

*Government Auditing Standards* requires the auditor to perform limited procedures on the District’s response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The District’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**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.



**CliftonLarsonAllen LLP**

Irvine, California  
March 16, 2023

**ORANGE COUNTY MOSQUITO AND VECTOR CONTROL DISTRICT  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2022**

**Finding 2022-001**

Type of Finding:

- Noncompliance with the Investment Policy

**Condition:** The District did not adopt the investment policy for fiscal year 2021-2022 through a resolution as required by the investment policy.

**Criteria or Specific Requirement:** The investment policy adopted by the Board on December 17, 2020 states "The District Manager/Treasurer and Finance Manager shall annually in June render to the Board of Trustees a Statement of Investment Policy which Statement shall be adopted by Resolution of the Board of Trustees."

**Effect:** The District is not in compliance with some of the requirements of the investment policy.

**Cause:** The District overlooked taking the investment policy to the Board in fiscal year 2021-2022.

**Repeat Finding:** This is not a repeat finding.

**Recommendation:** We recommend the District either update the investment policy to reflect the current practice or follow the requirement to adopt the investment policy annually through a resolution.

**Views of Responsible Officials and Planned Corrective Actions:**

The District updated the Investment Policy in November 2022 to reflect the current practice and to be in compliance with the policy.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See [CLAGlobal.com/disclaimer](http://CLAGlobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.