CERTIFIED PUBLIC ACCOUNTANTS

ORANGE COUNTY VECTOR CONTROL DISTRICT

BASIC FINANCIAL STATEMENTS

WITH REPORT ON AUDIT BY INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

JUNE 30, 2011

Lance Soll & Lunghard, LLP

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CONTROL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Orange County Vector Control District
Garden Grove, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Orange County Vector Control District (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2011, and the respective changes in financial position, thereof and the respective budgetary comparison for General Fund and Facilities Improvement Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's office and state regulations governing special districts.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The District has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Lance, Soll & Lunghard, LLP

Brea, California
November 16, 2011 (except for Note 11, which is as of December 29, 2011)

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ORANGE COUNTY VECTOR CONTROL DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
Assets:	
Cash and investments	$ 8,461,863
Receivables:	
Accounts	52,793
Taxes	98,285
Loans	7,950
Accrued interest	9,681
Due from other governments	486,967
Inventories	94,792
Prepaid OPEB Obligation	1,243,867
Capital assets not being depreciated	2,010,329
Capital assets, net of depreciation	3,723,152
Total Assets	**16,189,679**
Liabilities:	
Accounts payable	50,141
Accrued liabilities	295,102
Deposits payable	31,964
Noncurrent liabilities:	
Compensated absences due within one year	172,185
Compensated absences due in more than one year	349,586
Total Liabilities	**898,978**
Net Assets:	
Invested in capital assets, net of related debt	5,733,481
Unrestricted	9,557,220
Total Net Assets	**$ 15,290,701**

See Notes to Financial Statements

ORANGE COUNTY VECTOR CONTROL DISTRICT

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Contributions and Grants	Program Revenues: Capital Contributions and Grants	Net (Expenses) Revenues and Changes in Net Assets: Governmental Activities
Functions/Programs					
Primary Government:					
Governmental Activities:					
Vector control activities	$ 9,960,310	$ 277,276	$ -	$ -	$ (9,683,034)
Total Governmental Activities	**9,960,310**	**277,276**	**-**	**-**	**(9,683,034)**
Total Primary Government	**$ 9,960,310**	**$ 277,276**	**$ -**	**$ -**	**(9,683,034)**
General Revenues:					
Taxes:					
Property taxes, levied for general purpose					9,993,448
Interest Income					36,420
Rental Income					179,427
Other					95,876
Total General Revenues					**10,305,171**
Change in Net Assets					622,137
Net Assets at Beginning of Year					14,668,564
Net Assets at End of Year					**$ 15,290,701**

ORANGE COUNTY VECTOR CONTROL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Special Revenue Fund Facilities Improvement	Total Governmental Funds
Assets:			
Pooled cash and investments	$ 8,362,009	$ 99,854	$ 8,461,863
Receivables:			
Accounts	37,012	15,781	52,793
Taxes	98,285	-	98,285
Loans	7,950	-	7,950
Accrued interest	9,614	67	9,681
Due from other governments	486,967	-	486,967
Inventories	94,792	-	94,792
Total Assets	**$ 9,096,629**	**$ 115,702**	**$ 9,212,331**
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	$ 49,439	$ 702	$ 50,141
Accrued liabilities	295,102	-	295,102
Deferred revenues	354,864	-	354,864
Deposits payable	-	31,964	31,964
Total Liabilities	**699,405**	**32,666**	**732,071**
Fund Balances:			
Nonspendable:			
Inventories	94,792	-	94,792
Loans	7,950	-	7,950
Committed to:			
Retiree Medical Insurance	62,283	-	62,283
Retirement Contingency	1,960,512	-	1,960,512
Vehicle Replacement	794,005	-	794,005
Liability Reserve	485,932	-	485,932
Equipment Replacement	392,268	-	392,268
Emergency Vector Control	880,790	-	880,790
Facilities Improvement	-	83,036	83,036
Unassigned	3,718,692	-	3,718,692
Total Fund Balances	**8,397,224**	**83,036**	**8,480,260**
Total Liabilities and Fund Balances	**$ 9,096,629**	**$ 115,702**	**$ 9,212,331**

ORANGE COUNTY VECTOR CONTROL DISTRICT

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS JUNE 30, 2011

Fund balances of governmental funds	$ 8,480,260
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity	5,733,481
Long-term debt and compensated absences that have not been included in the governmental fund activity:	
Compensated Absences	(521,771)
Governmental funds report all OPEB contributions as expenditures, however in the Statement of Net Assets any excesses or deficiencies in contributions in relation to the Annual Required Contribution (ARC) are recorded as a asset or liability.	1,243,867
Revenues reported as deferred revenue in the governmental funds and recognized in the Statement of Activities. These are included in the intergovernmental revenues in the governmental fund activity.	354,864
Net assets of governmental activities	**$ 15,290,701**

ORANGE COUNTY VECTOR CONTROL DISTRICT

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General	Special Revenue Fund Facilities Improvement	Total Governmental Funds
Revenues:			
Taxes	$ 9,993,448	$ -	$ 9,993,448
Intergovernmental	164,049	-	164,049
Charges for services	113,227	-	113,227
Interest Income	33,845	2,575	36,420
Rental Income	35,228	144,199	179,427
Miscellaneous	95,876	-	95,876
Total Revenues	**10,435,673**	**146,774**	**10,582,447**
Expenditures:			
Current:			
Vector control activities	9,343,791	38,286	9,382,077
Capital outlay	35,854	3,823,413	3,859,267
Total Expenditures	**9,379,645**	**3,861,699**	**13,241,344**
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,056,028	(3,714,925)	(2,658,897)
Other Financing Sources (Uses):			
Transfers in	-	605,119	605,119
Transfers out	(605,119)	-	(605,119)
Total Other Financing Sources (Uses)	**(605,119)**	**605,119**	**-**
Net Change in Fund Balances	450,909	(3,109,806)	(2,658,897)
Fund Balances, Beginning of Year	7,946,315	3,192,842	11,139,157
Fund Balances, End of Year	**$ 8,397,224**	**$ 83,036**	**$ 8,480,260**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds	$	(2,658,897)
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 is 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		3,823,288
Depreciation		(239,267)
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 governmental funds		(3,524)
Governmental funds report all contributions in relation to the annual required contribution (ARC) for OPEB as expenditures, however in the Statement of Activities only the ARC is an expense.		(299,463)
Change in net assets of governmental activities	**$**	**622,137**

ORANGE COUNTY VECTOR CONTROL DISTRICT

BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 7,946,315	$ 7,946,315	$ 7,946,315	$ -
Resources (Inflows):				
Taxes	10,004,000	10,004,000	9,993,448	(10,552)
Intergovernmental	95,000	95,000	164,049	69,049
Charges for services	145,000	145,000	113,227	(31,773)
Interest Income	44,000	44,000	33,845	
Rental Income	35,000	35,000	35,228	228
Miscellaneous	78,000	78,000	95,876	17,876
Transfers from other funds	972,000	972,000	-	(972,000)
Amounts Available for Appropriation	**19,319,315**	**19,319,315**	**18,381,988**	**(927,172)**
Charges to Appropriation (Outflow):				
Vector control activities				
Trustees	63,500	63,500	58,481	5,019
District Manager	379,025	379,025	419,014	(39,989)
Legal Services	67,000	67,000	88,480	(21,480)
Non-Departmental	101,900	101,900	129,705	(27,805)
Administrative Services	602,455	602,455	549,404	53,051
Insurance	457,700	457,700	441,219	16,481
Technical Services	1,361,360	1,361,360	1,350,312	11,048
Field Operations	4,883,590	4,883,590	4,755,962	127,628
Vehicle Maintenance	464,820	464,820	425,340	39,480
Building Maintenance	127,000	127,000	137,632	(10,632)
Public Information	344,740	349,740	272,959	76,781
Information Technology	280,200	280,200	250,093	30,107
Public Service	259,360	259,360	178,023	81,337
Medical Insurance	292,000	292,000	287,167	4,833
Capital outlay	51,000	46,000	35,854	10,146
Transfers to other funds	972,000	1,062,000	605,119	456,881
Total Charges to Appropriations	**10,707,650**	**10,797,650**	**9,984,764**	**812,886**
Budgetary Fund Balance, June 30	**$ 8,611,665**	**$ 8,521,665**	**$ 8,397,224**	**$ (114,286)**

BUDGETARY COMPARISON SCHEDULE
FACILITIES IMPROVEMENT
YEAR ENDED JUNE 30, 2011

	Budget Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Budgetary Fund Balance, July 1	$ 3,192,842	$ 3,192,842	$ 3,192,842	$ -
Resources (Inflows):				
Interest Income	25,000	25,000	2,575	(22,425)
Rental Income	-	-	144,199	144,199
Transfers in	-	90,000	605,119	515,119
Amounts Available for Appropriation	**3,217,842**	**3,307,842**	**3,944,735**	**636,893**
Charges to Appropriation (Outflow):				
Vector control activities	90,450	90,450	38,286	52,164
Capital outlay	113,500	113,500	3,823,413	(3,709,913)
Total Charges to Appropriations	**203,950**	**203,950**	**3,861,699**	**(3,657,749)**
Budgetary Fund Balance, June 30	**$ 3,013,892**	**$ 3,103,892**	**$ 83,036**	**$ (3,020,856)**

Note 1: Organization and Significant Accounting Policies

a. Description of the 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. 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

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. 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.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes 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. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Note 1: Organization and Significant Accounting Policies (Continued)

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 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. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

- General Fund - The General Fund is used to account for all financial activity in the District except for that which is required to be accounted for in other funds.

- Facilities Improvement Special Revenue Fund – This fund was established to set aside amounts for future building needs for various facilities and rehabilitation of current facilities.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

d. Assets, Liabilities and Net Assets

Investments

Investments are reported at the fair market value.

Receivables

All trade and property tax receivables are shown net of an allowance for uncollectibles.

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.

Note 1: Organization and Significant Accounting Policies (Continued)

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.

Inventory

The District's inventory consists of chemicals used in the abatement of vectors within the County of Orange. The inventory has been valued using the first-in, first-out cost method.

Prepaid Costs

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The fund balances in the governmental fund types have been classified as nonspendable for amounts equal to the prepaid items in the fund-level statements, since these amounts are not available for appropriation.

Capital Assets

Capital assets that include land, structures and improvements, equipment and furniture, and vehicles and infrastructure assets, are reported in the government-wide financial statements. Infrastructure assets acquired or placed in service prior to July 1, 2003, are not required to be reported. Such assets consist of roads, curbs, gutters and lines. The District has no infrastructure assets. 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 estimated fair market value at the date of donation.

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

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

Assets	Years
Structures and improvements	30
Equipment and furniture	5 - 20
Vehicles	8 - 10

Claims and Judgments

When it is probable that a claim liability has been incurred and the amount of the loss can be reasonably estimated, the District records the loss, net of any insurance coverage. In the opinion of District Counsel, the District had no material claims that require a provision to be made in these financial statements.

Note 1: Organization and Significant Accounting Policies (Continued)

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 Assets since such obligation is not payable with currently available financial resources, and paid by resources in the District's General Fund.

Accumulated sick leave is paid only to individuals hired prior to July 15, 1977, and who have attained 50 years of age. In addition, all Tier 1 employees are eligible to receive payment for accumulated sick leave upon retirement or death. Amounts paid vary from 25% of accumulated sick leave with five years of service to 100% of accumulated sick leave with 20 years of service.

The District's only long-term debt is compensated absences. The balance as of June 30, 2011, is $521,771.

Estimates

In conformity with accounting principles generally accepted in the United States of America, occasionally management is required to make estimates and assumptions that effect certain reported amounts and disclosures within these financial statements. Accordingly, actual results may differ from those estimates made.

Fund Equity

In the fund financial statements, government funds report the following fund balance classification:

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 of 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 government's highest authority, Board of Trustees. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is resolution.

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

Note 1: Organization and Significant Accounting Policies (Continued)

Unassigned include the residual amounts that have not been restricted, committed, or assigned to specific purposes.

An individual governmental fund could include nonspendable resources and amounts that are restricted or unrestricted (committed, assigned, or unassigned) or any combination of those classifications. Restricted or Unrestricted amounts are to be considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available and committed, assigned, then 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.

Note 2: Stewardship, Compliance and Accountability

a. Budgetary Data

The District adopts an itemized budget statement of anticipated revenues, estimated operating expenditures and reserve requirements for the General Fund 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, (3) interest, and (4) other miscellaneous items.

b. Excess of expenditures over appropriations by department in individual funds is as follows:

	Expenditures	Appropriations	Excess
Major Funds:			
General Fund:			
District Manager	$ 419,014	$ 379,025	$ 39,989
Legal Services	88,480	67,000	21,480
Non-Departmental	129,705	101,900	27,805
Building Maintenance	137,632	127,000	10,632
Facilities Improvement Fund:			
Capital Outlay	3,823,413	113,500	3,709,913

Note 3: Cash and Investments

As of June 30, 2011, cash and investments were reported in the accompanying financial statements as follows:

Governmental activities	$ 8,461,863
Total Cash and Investments	$ 8,461,863

The District maintains a cash and investment pool that is available for use for all funds. Each fund type's position in the pool is reported on the combined balance sheet as cash and investments. The District has adopted an investment policy which authorizes it to invest in various investments.

Note 3: Cash and Investments (Continued)

a. Deposits

At June 30, 2011, the carrying amount of the District's deposits was $48,544 and the bank balance was $269,284. The $220,740 difference represents outstanding checks and other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to $250,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking.

The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "agent of depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

b. Credit Risk

On Aug. 5, 2011, Standard & Poor's Ratings Services lowered its long-term sovereign credit rating on the United States of America to AA+ from AAA. As a result, on Aug. 8, 2011, Standard & Poor's Ratings Services lowered its issuer credit ratings and related issue ratings on various Federal Home Loan Bank, Federal Farm Credit Bank, Fannie Mae and Freddie Mac to AA+ from AAA. The District invests in LAIF which invests in various underlying securities, including the federal agency securities listed above. While LAIF is not rated, the federal agency securities are, and these have been affected by this rating change.

c. Custodial Credit Risk

The 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 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 to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

As of June 30, 2011, none of the District's deposits or investments was exposed to custodial credit risk.

d. Concentration of Credit Risk

The District's investment policy imposes restrictions for certain types of investments with any one issuer; however, external investment pools are excluded from this requirement. At June 30, 2011, the District's investments consisted of an investment with the California Local Agency Investment Fund.

Note 3: Cash and Investments (Continued)

e. Interest Rate Risk

The District's investment policy states that at no time will more than 50% of the District's funds be invested longer than one year. Purchases greater than two years will meet the following requirements and restrictions:

1. The security must be a U.S. Treasury Note or Bond, a FNMA debenture, or a FHLB debenture.
2. A maximum of 25% of the District's invested funds can be invested in securities over two years.
3. No securities can be purchased by the District with a maturity greater than five years unless matched to a specific cash flow or asset acquisition.

As of June 30, 2011, the District had the following investments and original maturities:

	Investment Maturities (in Years)	
	6 months or less	Fair Value
California Local Agency Investment Fund	$ 8,413,319	$ 8,413,319
	$ 8,413,319	$ 8,413,319

f. Investments

Under provision of the District's investment policy and in accordance with the California Government Code, the following investments are authorized:

- U.S. Treasury Issues
- Federal Agency Issues
- Bankers Acceptances
- Certificates of Deposit
- Local Agency Investment Fund (LAIF)
- Repurchase Agreements
- State and Local Agency Investment Funds
- Passbook Savings Account

g. Investments in State Investment Pool

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. 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 fair value of the position in the investment pool is the same as the value of the pool shares.

h. GASB Statement No. 31

The District adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as of July 1, 1997. GASB Statement No. 31 establishes fair value standards for investments in participating interest earning investment contracts, external investment pools, equity securities, option contracts, stock warrants and stock rights that have readily determinable fair values.

Note 3: Cash and Investments (Continued)

Accordingly, the District reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

Note 4: Capital Assets

Capital assets activity for the year ended June 30, 2011, is as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets not being depreciated:				
Land	$ 60,452	$ 1,949,877	$ -	$ 2,010,329
Total Capital Assets Not Being Depreciated	60,452	1,949,877	-	2,010,329
Capital assets being depreciated:				
Structures and improvements	2,674,766	1,873,411	-	4,548,177
Equipment and furniture	578,938	-	15,910	563,028
Vehicles	1,636,020	-	-	1,636,020
Total Capital Assets Being Depreciated	4,889,724	1,873,411	15,910	6,747,225
Less: accumulated depreciation for:				
Structures and improvements	1,633,840	54,254	-	1,688,094
Equipment and furniture	312,511	62,703	15,910	359,304
Vehicles	854,365	122,310	-	976,675
Total Accumulated Depreciation	2,800,716	239,267	15,910	3,024,073
Total Capital Assets Being Depreciated, Net	2,089,008	1,634,144	-	3,723,152
Governmental Activities Capital Assets, Net	$ 2,149,460	$ 3,584,021	$ -	$ 5,733,481

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

Governmental Activities:	
Vector control activities	$ 239,267

Note 5: Deferred Compensation Plan

The District has made available to its employees a deferred compensation plan whereby employees authorize the District to withhold funds from their wages to be invested in individual savings accounts and other investments. Funds may be withdrawn by participants at termination of employment or retirement. Pursuant to the Small Business Protection Act of 1996, (a correction to the deferred compensation plan under the Internal Revenue Service Code Section 457) the District established trusts in which all assets held by ICMA Retirement Corporation (ICMA) and Nationwide Retirement Solutions. Now all assets, all property and rights purchased with such amounts, and all income attributable to such amounts are held for the exclusive benefit of the participants and their beneficiaries. The assets are not the property of the District and are not subject to the claims of the District's general creditors since the transfer into those trusts, and thus are no longer reported on the District's financial statements.

Note 6: Self-Insurance Program

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

a. 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.

b. Self-insurance Programs of the Agency:

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 Orange County Vector Control District has a retention level of $25,000 for liability 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 $29,000,000 for general liability and Statutory coverage plus $5,000,000 for workers' compensation. 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.

Note 7: Retirement Plans

Plan Description: PERS Defined Benefit Pension Plan

The Orange County Vector Control District contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of PERS' annual financial report may be obtained from its executive office: 400 P Street, Sacramento, CA 95814.

Funding Policy

Participants are required to contribute 7% of their annual covered salary. The District makes the contributions required of District employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 8.697% for miscellaneous employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Note 7: Retirement Plans (Continued)

Annual Pension Cost

For 2011, the District's annual pension cost of $403,150 for PERS was equal to the District's required and actual contributions. The required contribution was determined as part of the June 30, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service and (c) 3.5% cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of PERS assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a three-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011, was 17 years for miscellaneous.

Three-Year Trend Information for PERS
(Amounts in Thousands)

Fiscal Year	Required Contributions	Percentage Contributed
6/30/2009	$ 334	100 %
6/30/2010	378	100 %
6/30/2011	403	100 %

For fiscal year 2010-2011, the Orange County Vector Control District participated in risk pooling. Risk pooling consists of combining assets and liabilities across employers to produce large groups where the impact of a catastrophic demographic event is shared among all employers of the same risk pool. Participation in risk pools is mandatory for all rate plans with less than 100 active members. Mandated participation in risk pools was initially based on the active membership of each rate plan as of June 30, 2005. The implementation of risk pools was done in a way that minimizes the impact on employer contribution rates. The first year in risk pools, the employer contribution rates are almost identical to what the rates would have been outside pools. Future rates will be based on the experience of each pool.

Pooling will reduce the volatility of future employer rates. Mandated participation will occur on an annual basis. If on any valuation date, starting with the June 30, 2005, valuation, a rate plan has less than 100 active members, it will be mandated in one of the risk pools effective on that valuation date.

Plan Description: OCERS Defined Benefit Pension Plan

The Orange County Vector Control 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 share proportionally in all risks and costs, including benefit costs.

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

Note 7: Retirement Plans (Continued)

Supervisors adopted certain sections of the Government code which established formulas producing reduce 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 OCERS at 2223 Wellington Avenue, Santa Ana, California 92701.

Funding Policy

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 Vector Control District who were members of OCERS before January 5, 2007.

Per the termination and continuing contribution agreement entered into on June 1, 2008 with OCERS and Orange County Vector Control District, commencing as of December 31, 2010 and every three years thereafter OCERS's will recalculate Orange County Vector Control District's Unfunded Actuarial Accrued Liability (UAAL) obligation, based on accumulated assets and liabilities attributable to Orange County Vector Control District. All Orange County Vector Control District members with OCERS will be considered "closed group" for purposes of recalculating the UAAL. Based on the recalculation, in the event that there is any new UAAL obligation required of Orange County Vector Control District, it will be satisfied within 3 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.

Determination of Unfunded Liability as of June 30, 2011

Present Value of Benefits as of December 31, 2010	$24,493,000
Valuation Value of Assets as of December 31, 2010	22,111,905
Unfunded Liability as of December 31, 2010	$2,381,095
Interest through June 30, 2011 at 7.75% per year	92,267
Unfunded Liability as of June 30, 2011	$2,473,362

Summary of principle assumptions and methods

The unfunded liability was determined as part of the December 31, 2010 valuation using the entry age normal actuarial cost method. These assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service and (c) 3.0% cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of OCERS assets was determined by using the market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and the expected return on a market value basis, and is recognized 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.

Note 7: Retirement Plans (Continued)

OCERS unfunded actuarial accrued liability is being amortized over a period of 24 years closed (declining) amortization of outstanding balance of December 31, 2004 UAAL. The outstanding balance of the UAAL established in the December 31, 2009 valuation as a result of including additional premium pay items as pensionable salary and the new UAAL established in the December 31, 2010 valuation as a result of reallocating contributions and benefit payments amount rate groups are also amortized over a 24 year period, in the December 31, 2010 valuation. Any increases or decreases in UAAL that arise in future years due to actuarial gains or losses will be amortized over separate 15 year periods. Any increases or decreases in UAAL due to changes in actuarial assumptions are amortize over separate 30 year periods.

PARS Defined Contribution Benefit Plan

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

The PARS plan is solely funded by the contribution from the employee. The contribution rate is 7.50% of gross earnings for employees. Total payroll for employees covered by this plan at June 30, 2011, was $586,899. The amount of employee contributions at June 30, 2011, was $44,020.

Note 8: Other Post-Employment Benefits

Plan Description

The Orange County Vector Control District sponsors the California PERS Health Plan (PEMHCA). The program provides comprehensive health insurance through a variety of Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO) options. Participation in PEMHCS is financed in part by the District. District members become eligible to retire and receive District-paid healthcare benefits upon attainment of age 50 and 5 years of covered PERS service. Retired members over the age of 65 may join one of the Supplemental (Medicare-coordinated) options under PEMHCA. Benefits are paid for the lifetime of the retiree. The District's contribution on behalf of retirees for 2009 ($254.25, $308.50, or $341.05/mo. for retiree only, retiree plus spouse, and retiree plus family tiers, respectively) is determined under the "unequal Contribution Method" as described in Government Code Section 22892(c), beginning with $200/month in 2006 for all new PEMHCA retirees and increasing each year by 5% of the amount contributed by the District for active employees in each tier (in 2009, the amounts for active employees are $395, $790, and $1,027/mo. for employee only, employee plus spouse, and employee plus family tiers).

In addition to the generally applicable rules described above, there are a number of grandfathered retirees who transferred from the Orange County Employees' Retirement System (OCERS) Health Plan to PEMHCA in April, 2006. These grandfathered retirees are eligible to receive a monthly grant equal to the greater of their 2006 monthly grant (calculated as $399.75 per month, reduced for service less than 25 years), or the current District contribution under the Unequal Contribution Method described above.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District, Board, and/or the employee associations. Currently, contributions

Note 8: Other Post-Employment Benefits (Continued)

are not required from plan members. In July, 2008, the District established an account within the PARS Section 115 Trust by making an initial deposit of $1,400,000. This was given an projected value of $1,445,966 as of July 1, 2009, which included an expected District contribution of $362,000 paid in 2008-2009 fiscal year. These were factors in the July 1, 2009, actuarial report. A contribution of $132,000 was made during the 2010-2011 fiscal year and was not included in the July 1, 2009, actuarial study. The purpose of the contributions was to cover the pay-as-you-go financing requirement as well as the current year's amortized unfunded accrued liability portion which is being amortized over 30 years.

As a result, the District calculated and recorded a Net OPEB Asset, representing the difference between the Annual Required Contribution (ARC) and actual contributions, as presented in the following table:

Annual required contribution (ARC)	$	397,333
Adjustment to ARC		80,430
Adjustment for interest		(46,300)
Annual OPEB cost		431,463
Contributions made		(132,000)
Decrease (increase) in Net OPEB asset	$	299,463
Net OPEB obligation (asset) June 30, 2010	$	(1,543,330)
(Increase) decrease in Net OPEB asset		299,463
Net OPEB obligation (asset) June 30, 2011	$	(1,243,867)

The contribution rate of 20.57% is based on the ARC of $397.333, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis is projected to cover the annual normal cost and the amortization of unfunded actuarial liabilities (or funding excess) over a thirty year period.

Annual OPEB Costs and Net OPEB Obligation (Asset)

For the fiscal year 2010-2011, the Districts annual OPEB cost (expense of $132,000) did not exceed the ARC. Since this is the first year of implementation, information on the annual OPEB cost, percentage of Annual OPEB cost contributed, and Net OPEB Obligation is only available for the current fiscal year, as presented below:

Fiscal Year Ending	Annual OPEB Cost	Actual Contribution (Net of Adjustments)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2009	$ -	$ -	n/a	$ (1,445,966)
6/30/2010	397,333	494,667	124.50%	(1,543,330)
6/30/2011	431,463	132,000	30.59%	(1,243,867)

Funded Status and Funding Progress

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, retirements, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required

Note 8: Other Post-Employment Benefits (Continued)

contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress below presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Only one year is presented as this is the second year of the plan and an actuarial is required every three years.

Type of Valuation	Actuarial Valuation Date	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded ratio	Interest Rate
Actual	7/1/2009	$ 1,445,996	$ 1,931,722	42.81%	7.00%

Actuarial Methods and Assumptions

In order to perform the valuation, it is necessary for the actuary to make certain assumptions regarding such items as rates of employee turnover, retirement, and mortality, as well as economic assumptions regarding healthcare inflation and interest rates. All assumptions were based on industry averages and modified to the Districts historical and recent experience. These assumptions should be reviewed in each valuation year to make sure they adjusted accordingly.

In the July 1, 2009, actuarial valuation, the discount rate of 7.0% is based on a District funding policy of fully funding the ARC using the PARS Section 115 Trust. It is in accordance with our understanding of the guidelines for selection of this rate under GASB 45. The Actuarial Cost Method used was Projected Unit Credit. The healthcare inflation rate of 4% is based on an analysis of recent experience and knowledge of the general healthcare environment. The remaining amortization period at June 30, 2011, was twenty-eight years.

Note 9: Interfund Activity

The composition of interfund balances as of June 30, 2011, was as follows:

Interfund Transfers

	Transfers Out
	General
Transfers In:	
Facilities Improvement Fund	$ 605,119
Totals	$ 605,119

The transfers in to the Facilities Improvement Fund from the General Fund in the amounts of $515,119 and $90,000 were to contribute to the acquisition of the Haster Business Park.

Note 10: Commitments and Contingencies

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. The District holds title to certain capital assets that were purchased through these programs, and title may be delivered to the granting agency when the program is completed.

Note 11: Subsequent Events

OCERS Defined Benefit Pension Plan

On September 6, 2011 Orange County Vector Control District made a payment of $1 million dollars to pay down their unfunded liability.

Orange County Vector Control has requested an updated unfunded liability as of December 19, 2011, which will include the payment made of $1 million dollars. The most recent calculation of the unfunded liability as of December 19, 2011 is as follows:

Present Value of Benefits as of December 31, 2010	$24,493,000
Valuation Value of Assets as of December 31, 2010	22,111,905
Unfunded Liability as of December 31, 2010	$2,381,095
Interest through September 6, 2011 at 7.75% per year	125,888
Payment on September 6, 2011	(1,000,000)
Unfunded Liability as of September 6, 2011	$1,506,983
Interest through December 19, 2011 at 7.75% per year	33,277
Unfunded Liability as of December 19, 2011	$1,540,260