MERCED COUNTY MOSQUITO ABATEMENT DISTRICT

INDEPENDENT AUDITOR'S REPORTS
AND
FINANCIAL STATEMENTS

JUNE 30, 2021

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Merced County Mosquito Abatement District
Merced, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Merced County Mosquito Abatement District (the "District"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these basic 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, and the State Controller's Minimum Audit Requirements for California Special Districts. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but nor for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Merced County Mosquito Abatement District as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United State of America require that the District's Schedule of Changes in the District's Net OPEB Liability and Related Ratios, Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions, on pages 28-30 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Government 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 and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2022 on our consideration of the Merced County Mosquito Abatement 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 the 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.

January 21, 2022

MERCED COUNTY MOSQUITO ABATEMENT DISTRICT

GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION JUNE 30, 2021

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash and investments	$ 3,433,874	$ -	$ 3,433,874
Accounts receivable	143,934	-	143,934
Prepaids	19,605	-	19,605
Inventory	315,558	-	315,558
Deposit	91,468	-	91,468
Capital assets, net of accumulated depreciation	-	2,026,039	2,026,039
Total assets	4,004,439	2,026,039	6,030,478
Deferred Outflows of Resources			
Deferred outflows of resources related to OPEB	-	85,928	85,928
Deferred outflows of resources related to pensions	-	646,607	646,607
Toal deferred outflows of resources	-	732,535	732,535
Liabilities			
Accounts payable and other accrued liabilities	50,614	-	50,614
Accrued payroll	36,682	-	36,682
Long-term liabilities			
Compensated absences	-	81,970	81,970
Net pension liability	-	2,858,480	2,858,480
Post-retirement health benefits	-	525,893	525,893
Total liabilities	87,296	3,466,343	3,553,639
Deferred Inflows of Resources			
Deferred inflows of resources related to OPEB	-	109,686	109,686
Deferred inflows of resources related to pensions	-	90,987	90,987
Toal deferred inflows of resources	-	200,673	200,673
Fund Balances			
Nonspendable	335,163	(335,163)	-
Unassigned	3,581,980	(3,581,980)	-
Total fund balances	3,917,143	(3,917,143)	-
Total liabilities, deferred inflows of resources and fund balances	$ 4,004,439	$ (250,127)	3,754,312
Net Position			
Net investment in capital assets			2,026,039
Unrestricted			982,662
Total net position			$ 3,008,701

MERCED COUNTY MOSQUITO ABATEMENT DISTRICT

GOVERNMENTAL FUND STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES AND STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	General Fund	Adjustments	Statement of Activities
Revenue			
Property taxes	$ 3,165,482	$ -	$ 3,165,482
Parcel fees and service charges	814,108	-	814,108
Interest	27,423	-	27,423
Gain on sale of assets	11,445	(10,095)	1,350
Other income	133,689	-	133,689
Total revenue	4,152,147	(10,095)	4,142,052
Expenditures			
Salaries and wages	964,491	(8,357)	956,134
Employee and retiree benefits	707,305	68,808	776,113
Chemicals	869,181	-	869,181
Communications	34,504	-	34,504
Insurance	230,675	-	230,675
Repairs and maintenance	58,458	-	58,458
Memberships and publications	28,225	-	28,225
Office	15,142	-	15,142
Equipment rent	121,478	-	121,478
Professional services	97,462	-	97,462
Special district expenditures	48,684	-	48,684
Materials and supplies	36,453	-	36,453
Travel and transportation	10,195	-	10,195
Gas and pertroleum	62,098	-	62,098
Utilities	18,741	-	18,741
Other	3,720	-	3,720
Capital outlay	56,362	(56,362)	-
Depreciation	-	170,207	170,207
Total expenditures	3,363,174	174,296	3,537,470
Change in fund balance/net position	788,973	(184,391)	604,582
Fund Balances/Net Position			
Beginning of year	3,128,170	-	2,404,119
End of year	$ 3,917,143	$ -	$ 3,008,701

MERCED COUNTY MOSQUITO ABATEMENT DISTRICT

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND
JUNE 30, 2021

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenue				
Property taxes	$ 3,049,000	$ 3,049,000	$ 3,165,482	$ 116,482
Parcel fees and service charges	802,000	802,000	814,108	12,108
Interest	30,000	30,000	27,423	(2,577)
Gain on sale of assets	16,000	16,000	11,445	(4,555)
Other income	90,850	90,850	133,689	42,839
Total revenue	3,987,850	3,987,850	4,152,147	164,297
Expenditures				
Salaries and wages	1,021,000	1,004,300	964,491	39,809
Employee benefits	755,700	665,075	707,305	(42,230)
Chemicals	1,000,000	1,000,225	869,181	131,044
Communications	35,000	35,000	34,504	496
Insurance	139,900	230,050	230,675	(625)
Repairs and maintenance	135,000	135,625	58,458	77,167
Memberships and publications	31,000	31,000	28,225	2,775
Office	35,000	35,000	15,142	19,858
Equipment rent	126,000	126,000	121,478	4,522
Professional services	103,500	101,800	97,462	4,338
Special district expenditures	42,000	54,670	48,684	5,986
Materials and supplies	37,000	39,500	36,453	3,047
Travel and transportation	44,945	47,800	10,195	37,605
Gas and pertroleum	59,855	59,855	62,098	(2,243)
Utilities	20,000	20,000	18,741	1,259
Other	7,500	7,500	3,720	3,780
Capital outlay	127,700	127,700	56,362	71,338
Total expenditures	3,721,100	3,721,100	3,363,174	357,926
Net Change in Fund Balance	$ 266,750	$ 266,750	788,973	$ 522,223
Fund Balance				
Beginning of year			3,128,170	
End of year			$ 3,917,143	

Note 1 – Summary of Significant Accounting Policies

The accounting and reporting policies of the Merced County Mosquito Abatement District (the "District") conform to accounting principles generally accepted in the United States of America as applicable to governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled "Audits of State and Local Governmental Units" and by the Financial Accounting Standards Board (when applicable). The following is a summary of the significant accounting policies:

Reporting Entity – The Merced County Mosquito Abatement District is a California special district formed in 1946 for the control and eradication of mosquitoes in the County of Merced. The District is governed by a Board of Trustees, which consists of nine members.

Government-Wide and Fund Financial Statements – The government-wide financial statements, which are the statement of net position and the statement of activities, report information on all of the activities of the District. 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 or discretely presented component units and therefore, the statements reflect only activity from governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational and capital requirement of a particular function. Taxes and other items are reported as general revenue.

Fund financial statements display information about major funds individually and non-major funds in the aggregate for governmental funds. The District has only one governmental fund and reports it as a major governmental fund as follows:

<u>Governmental Fund Type:</u>

General Fund – The primary fund of the District is used to account for all revenue and expenditures of the District not legally restricted as to use.

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. Revenue is recorded when earned and expenses are recorded when a liability in incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue 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.

Note 1 – Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as they are both measurable and available. Revenue is considered to be collectible when it is collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the District considers property taxes and other revenue to be available in the period for which levied if it is collected within 60 days after 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 and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenue in the current period.

Cash and Investments – The Cash deposits consist of demand deposits with financial institutions and cash held by fiscal agents.

Receivables and Payables – Billed but unpaid services provided to individuals or non-governmental entities are recorded as accounts receivable.

Merced County is responsible for the assessment, collection and apportionment of property taxes for all taxing jurisdictions. Property taxes are levied in equal installments on November 1 and February 1. They become delinquent on December 10 and April 10, respectively. The lien date is March 1 of each year. Property taxes are accounted for in the General Fund. Property tax revenues are recognized when they become measurable and available to finance current liabilities. The District considers property taxes as available if they are collected within 60 days after year end. Property tax on the unsecured roll are due on the March 1 lien date and become delinquent if unpaid on August 31. However, unsecured property taxes are not susceptible to year end accrual.

Inventory – Inventories are stated at cost on a first-in, first-out basis.

Capital Assets – Capital outlays are recorded as expenditures of the General Fund and as assets in the Statement of Net Position to the extent the District's capitalization threshold is met.

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns in the Government-Wide Financial Statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $2,500 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. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

Note 1 – Summary of Significant Accounting Policies (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets are included as part of the capitalized value of the assets constructed.

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

	Years
Buildings, structures and improvements	40
Aircraft	15
Furniture and equipment	7
Automobiles and trucks	5

Compensated Absences – Accumulated unpaid vacation and sick leave is accrued when benefits vest to employees and the unpaid liability is reflected as compensated absences payable. Each employee may carry over up to 80 hours of unused vacation each year to a maximum limit depending on years of service payable at retirement or separation and 100% of sick leave to a maximum amount of $3,000 payable only upon retirement or death.

Long-Term Liabilities – Long-term liabilities consist of a note payable. In the Government-Wide Financial Statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt principal payments are reported as decreases in the balance of the liability on the Statement of Net Position. In the fund financial statements, however, debt principal payments of Governmental Funds are recognized as expenditures when paid. The face amount of debt issued is reported as other financing sources.

Deferred Outflows/Inflows of Resources – In addition to assets, liabilities and net position, the statement of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of resources that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Conversely, deferred inflows of resources represent an acquisition of resources that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Pension Plan – All full-time District employees are members of the State of California Public Employees' Retirement System. The District's policy is to fund all pension costs accrued; such costs to be funded are determined annually as of July 1 by the System's actuary. For purpose of measuring 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 Employee Retirement System (CalPERS) plan and additions to/deduction from the Plan’s fiduciary net position have been determined on the same basis as they are reported by CalPERS. 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.

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

Valuation Date	June 30, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

Fund Equity – In the fund financial statements, governmental fund balance is made up of the following components:

- Nonspendable fund balance typically includes inventories, prepaid items, and other items that must be maintained intact pursuant to legal or contractual requirements, such as endowments.

- Restricted fund balance category includes amounts that can be spent only for specific purposes imposed by creditors, grantors, contributors, or laws or regulations of other governments or through enabling legislations.

- Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District Board. The District Board has the authority establish, modify, or rescind a fund balance commitment.

- Assigned fund balance are amounts designated by the District Board for specific purposes and do not meet the criteria to be classified as restricted or committed.

- Unassigned fund balance is the residual classification that includes all spendable amounts in the General Fund not contained in other classifications.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) fund balances are available, the District's policy is to apply restricted first. When expenditures are 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.

Note 1 – Summary of Significant Accounting Policies (Continued)

Net Position – The fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

- Restricted Net Position – This category presents external restrictions on net position imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- Unrestricted Net Position – This category represents net position of the District, not restricted for any project or other purpose.

Budgetary Information – The District budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America. The District Manager is required to prepare and submit to the District Board the annual budget of the District and administer it after adoption. District Board approval is required for budget revisions that affect the total appropriations of the District.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Cash and Investments

The District pools all of its cash and investments with the County of Merced except those funds required to be held by outside fiscal agents. The District uses the County of Merced as a fiscal agent for processing all cash receipts and disbursements. Although the County maintains separate fund accounts for the District, the cash is not segregated, but rather commingled with other County funds and investments. Additionally, the County had $11,331 in a payroll trust account. These funds represent amounts deducted from employees' earnings for tax withholdings and retirement and the District's share of payroll related expenses. This fund is offset by a presumed liability in the same amount and, therefore, is not included in cash.

Cash and investments as of June 30, 2021 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	$ 3,433,874

Note 2 – Cash and Investments (Continued)

Cash and investments as of June 30, 2021 consist of the following:

County of Merced's Pooled Cash	$ 3,433,524
Petty Cash	350
Total Cash and Investments	$ 3,433,874

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2: Inputs to valuation methodology include inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within a fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District is considered to be an involuntary participant in an external investment pool, which is under the direct authority of the Merced County Treasurer and Tax Collector and governed by the California Government Code. The fair value of the District's investment in the pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

The District's only investments, which are allocated at fair value, are in the County of Merced Treasurer's Investment Pool. The County invests in numerous types of investments ranging all levels in the fair value hierarchy. Accordingly, it is not an investment type that can be categorized in any particular level in the fair value hierarchy.

Note 2 – Cash and Investments (Continued)

Investments Authorized by the California Government Code

The District is authorized under the California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Limitations as they related to interest rate risk, credit risk, and concentration of credit risk are described below:

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates 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. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains an investment with the Vector Control Joint Powers Authority.

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.

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. District investments that are greater than 5 percent of total investments are in external investment pools and are therefore exempt.

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 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, 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.

Note 2 – Cash and Investments (Continued)

The custodial 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 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 investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

Note 3 – Central California Vector Control JPA

The District participates as a member of the Central California Vector Control JPA (JPA). The JPA is comprised of seven districts located throughout central California and is organized under the joint powers agreement pursuant to the California Government Code. The purpose of the JPA is to provide dental and vision insurance to the District's employees. The JPA members are represented in the governance of the agency through an elected Board of Directors which consists of one member from each member district. The District's share of the JPA Members Deposit at June 30, 2021 was $91,468.

Note 4 – Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021
Capital assets, not being depreciated				
Land	$ 30,000	$ -	$ -	$ 30,000
Total capital assets, not being depreciated	30,000	-	-	30,000
Capital assets, being depreciated				
Buildings and improvements	3,109,563	-	-	3,109,563
Machinery and equipment	1,009,226	56,362	(25,223)	1,040,365
Total capital assets, being depreciated	4,118,789	56,362	(25,223)	4,149,928
Less accumulated depreciation for:				
Buildings and improvements	(1,171,946)	(85,077)	-	(1,257,023)
Machinery and equipment	(826,864)	(85,130)	15,128	(896,866)
Total accumulated depreciation	(1,998,810)	(170,207)	15,128	(2,153,889)
Total capital assets, being depreciated, net	2,119,979	(113,845)	(10,095)	1,996,039
Governmental activities capital assets, net	$ 2,149,979	$ (113,845)	$ (10,095)	$ 2,026,039

Note 5 – Deferred Compensation Plans

The District offers its employees deferred compensation plans created in accordance with IRC Section 457. The plan is available to all District employees and permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or an unforeseeable emergency. The District does not match employee contributions.

In accordance with Small Business Job Protection Act of 1996, all deferred compensation plan assets are held in trust for the exclusive benefit of participating employees and are not accessible by the District or its creditors. Accordingly, these assets have been removed from the District's financial statements.

Note 6 – Defined Benefit Pension Plan

Plan Description – The District contributes to the California Public Employees' Retirement System (PERS), an agent 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 District ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office - 400 P Street - Sacramento, CA 95814.

Funding Policy – Participants are required to contribute eight percent of their annual covered salary. The District contributes $96.01 per month for each Classic employee towards the employees' 8 percent contribution. PEPRA employees pay the full amount of their 6.25 percent contribution. The District is required to contribute at an actuarially determined rate; the current rate is 14.729 and 7.732 percent of annual covered payroll for Miscellaneous Classic and PEPRA, respectively. The contribution requirements of plan members and the District are established and may be amended by PERS.

The Plans' provisions and benefits in effect at June 30, 2021, are summarized as follows:

	Miscellaneous	Miscellaneous PEPRA
Hire Date	Prior to January 1, 2013	After January 1, 2013
Benefit Formula	3.0% at 60; maximum 2% COLA	2.0% at 62; maximum 2% COLA
Benefit Vesting Schedule	5 years service	5 years service
Benefit Payments	monthly for life	monthly for life
Retirement Age	60	62
Monthly Benefits, as a % of Eligible Compensation	3.00%	2.00%
Required Employee Contribution Rates	8.00%	6.25%
Required Employer Contribution Rates	14.729%	7.732%

Note 6 – Defined Benefit Pension Plan (Continued)

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. 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.

For the year ended June 30, 2021, the contributions recognized as part of the pension expense is as follows:

Contributions – employer	$ 345,837
Contributions – employee	$ 61,735

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

As of June 30, 2021, the District reported net pension liabilities for its proportionate shares of the net pension liability as follows:

	Proportionate Share of Net Pension Liability
Total Net Pension Liability – Miscellaneous	$2,858,480

Note 6 – Defined Benefit Pension Plan (Continued)

The District's net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of each Plan is measured as of June 30, 2020, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 using standard update procedures. The District's proportion of the net pension liability was 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 District's proportionate share of the net pension liability for the Plan as of June 30, 2020 and 2021 was as follows:

	Miscellaneous
Proportion – June 30, 2020	0.06698%
Proportion – June 30, 2021	0.06777%
Change – Increase/(Decrease)	0.00079%

For the year ended June 30, 2021, the District recognized pension expense of $448,948. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 345,837	$ -
Changes in assumptions or other inputs	-	(20,388)
Differences in projected and actual experience	147,306	-
Differences in projected and actual contributior	-	(70,599)
Net differences between projected and actual earnings on pension plan investments	84,916	-
Change in employer's proportion	68,548	-
Total	$ 646,607	$ (90,987)

$345,837 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 ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	
2021	$ 175,404
2022	(34,700)
2023	29,669
2024	9,476
Thereafter	-

Note 6 – Defined Benefit Pension Plan (Continued)

Actuarial Methods Assumptions – The collective total pension liability for the June 30, 2020 measurement period was determined by an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the total pension liability to June 30, 2020. The collective total pension liability was based on the following assumptions:

Valuation Date	June 30, 2019	
Measurement Date	June 30, 2020	
Actuarial Cost Method	Entry-Age Normal Cost Method in accordance with the requirements of GASB Statement No. 68	
Actuarial Assumptions:		
Discount Rate	7.15%	
Inflation	2.50%	
Payroll Growth	3.00%	
Salary Increases	Varies by Entry Age and Service	
Mortality Rate Table	Derived using CalPERS' Membership Date for all Funds	1
Post Retirement Benefit Increase	Contract COLA up to 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter	

[1] The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2017. For more details on this table, please refer to the December 2018 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2018 valuation was based on the results of an December 2018 experience study report (based on CalPERS demographic data from 1997 to 2015), including updates to salary increase, mortality and retirement rates. The Experience Study can be obtained at CalPERS' website.

Change of assumptions – None.

Note 6 – Defined Benefit Pension Plan (Continued)

Discount rate – The discount rate used to measure the total pension liability for PERF C 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. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected rate of 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 equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020.

Note 6 – Defined Benefit Pension Plan (Continued)

The table below reflects long-term expected real rates of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class (a)	New Strategic Allocation	Real Return Years 1-10 (b)	Real Return Years 11+ (c)
Global Equity	50%	4.80%	5.98%
Fixed Income	28%	1.00%	2.62%
Inflation Assets	0%	0.77%	1.81%
Private Equity	8%	6.30%	7.23%
Real assets	13%	3.75%	4.93%
Infrastructure and Forestland	0%	0.00%	0.00%
Liquidity	1%	0.00%	-0.92%
Total	100%		

(a) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidiy 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

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, calculating using the discount rate of 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 (6.15%) or 1-percentage point higher (8.15%) than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Net Pension Liability	$ 4,011,860	$ 2,858,480	$ 1,584,615

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issue CalPERS financial reports.

Payable to the Pension Plan
At June 30, 2021, the District has no amount to report as outstanding amount of contributions to the pension plan required for the year ended June 30, 2021.

Note 7 – Other Post Employment Benefits (OPEB) Plan

Plan Description and Benefits Provided

Union Members:

Effective July 1, 2013 all newly hired employees will not be eligible for payment of medical premiums upon retirement.

Current employees are still eligible to receive the District's contribution for medical benefits contingent upon reaching a minimum age of 55 and completing 20-years of service with the District. The benefit ends at Retiree's age 65 or if the employee is deceased before reaching the age of 65. Spouses may also be covered.

All existing benefits presently enjoyed by the employees within the unit represented by the Union shall remain in full force and effect during the life of this agreement, except as they may be amended by the District Policy.

MOU Health and Welfare Agreement in effect 6-30-17

MOU 1-2016 between the District and the California General Teamsters Local Union 386 describes the District shall contribute $1,040 per month to the health plan covering the members of the bargaining unit. If the total premium exceeds the $1,040 contribution the members of the bargaining unit will pay 75% of any increased cost of $1,040 per month, the District will pay the remaining 25%.

Historically the District's basic contribution increases $35 per year, for 2021 it is $1,075.

Management/Administration (not part of the bargaining unit):

Upon retirement the District will contribute an amount equal to the rate of active employees for the retired employee's medical premium. The benefit shall be provided for all levels of management from a minimum age of 50-years-old to a maximum age of 65. For employees hired prior to October 1, 1992 the benefit is contingent upon the employee having a minimum of ten years of service prior to retirement. Management employees hired subsequent to October 1, 1992 will receive the benefit from a minimum age of 55 years to a maximum of 65 after accruing 20 years of service prior to retirement. Spouse may be covered.

The District on June 30, 2021 was contributing $1,075 per month towards the employee's health premium and if the total premium exceeded the $1,040 contributions, the employees were to pay 50% of any increased cost.

Historically the District's contribution rate for management employees will follow the bargaining unit at $35 increase per year, for 2021 it is $1,075.

Note 7 – Other Post Employment Benefits (OPEB) Plan (continued)

Employees Covered

As of the June 30, 2019 actuarial valuation, the following inactive and active employees were covered by the benefit terms under the OPEB Plan:

Retirees and beneficiaries receiving benefits	3
Active plan members eligible	10
Total	13

Contributions

The District provides benefits on a pay-as-you-go basis. The District's employees are not required to contribute to the plan.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined using the Alternative Measurement Method with a valuation date of June 30, 2019. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Actuarial Assumptions

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions:	
Salary Increases	3.25% annual increases
Investment Rate of Return	2.21%, net of OPEB plan investment expense
Health care cost trend rates	7.20% for 2021 and 4.25% to 6.95% for 2022 and later years

Pre-retirement mortality rates were based on the CalPERS 2017 Mortality pre-retirement.

Actuarial assumptions used in the June 30, 2019 valuation were based on a review of plan experience during the period July 1, 2018 to June 30, 2019.

Long-term Expected Rate of Return

Not applicable, the District has reported no plan assets as of June 30, 2020.

Note 7 – Other Post Employment Benefits (OPEB) Plan (continued)

Discount Rate

Accounting standards for OPEB require a discount rate that reflects the following:

a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be enough to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;

b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or better for benefits not covered by plan assets.

The Bond Buyer 20-Bond General Obligation Index was used in determining the discount rate used to measure the Total OPEB Liability as of June 30, 2019 and June 30, 2020 (measurement dates under GASB 75):

	June 30, 2019	June 30, 2020
Discount Rate	3.50%	2.21%
Bond Buyer 20-Bond GO Index	3.50%	2.21%

Changes in the Net OPEB Liability

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

Beginning of the year	$ 495,046
Changes recognized for the measurement period	
Service cost	14,947
Interest	17,113
Differences between expected and actual experience	(1,465)
Changes of assumptions	42,714
Benefit payments, including refunds of employee contributions	(42,462)
End of the year	$ 525,893

Sensitivity of the District's Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the District, as well as what the net 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 rate:

	1% Decrease 1.21%	Discount Rate 2.21%	1% Increase 3.21%
Net OPEB Liability	$ 561,017	$ 525,893	$ 492,509

Note 7 – Other Post Employment Benefits (OPEB) Plan (continued)

Sensitivity of the District's Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

	1% Decrease 6.20%	Healthcare Trend Rate 7.20%	1% Increase 8.20%
Net OPEB Liability	$ 502,765	$ 525,893	$ 563,984

Recognition of Deferred Outflows and Deferred Inflows of Resources

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time.

Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period is 5 years which is the expected average remaining service lives (EARSL) of plan participants.

OPEB Expense and Deferred Outflows/Inflows Related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of $15,554. At June 30, 2021, 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
OPEB contributions subsequent to measurement date	$ 47,803	$ -
Difference between expected and actual plan experience	-	84,730
Changes in assumptions	38,125	24,956
	$ 85,928	$ 109,686

Note 7 – Other Post Employment Benefits (OPEB) Plan (continued)

OPEB Expense and Deferred Outflows/Inflows Related to OPEB (continued)

The $47,803 reported as deferred outflows of resources related to contributions subsequent to the June 30, 2020 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30		
2022	$	(16,506)
2023		(16,506)
2024		(12,244)
2025		(7,459)
2026		(7,036)
Thereafter		(11,810)

Note 8 – Reconciliation of Government-Wide and Fund Financial Statements

A) Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

Amounts reported for governmental activities in the Statement of Net Position are different from the fund balance of the General Fund because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the General Fund	$ 2,026,039
Compensated absences are not due and payable in the current period and therefore are not reported in the General Fund	(81,970)
Post-retirement benefits are not due and payable in the current period and therefore are not reported in the General Fund	(525,893)
Deferred inflows of resources related to net pension liability and OPEB, represent an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as inflow of resources (revenue) until that time	(200,673)
Deferred outflows of resources related to net pension liability and OPEB, represent a consumption of net position or fund balance that applies to future period(s) and so will not be recognized as outflow of resources (expenses) until that time	732,535
Net pension liability applicable to governmental activities are not due and payable in the current period and therefore are not reported in the General Fund	(2,858,480)
Net adjustment to decrease net change in fund balances to arrive at net postion of governmental activities	$ (908,442)

Note 8 – Reconciliation of Government-Wide and Fund Financial Statements (Continued)

B) Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

Amounts reported for governmental activities in the Statement of Activities are different from the governmental fund statement of revenues, expenditures, and changes in fund balance because:

Compensated absences costs in the Statement of Activities does not require the use of current financial resources and, therefore, are not reported as expenditures in the General Fund.	$	8,357
Post-retirement benefit costs in the Statement of Activities does not require the use of current financial resources and, therefore, are not reported as expenditures in the General Fund		34,303
Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities and Changes in Net Position the cost of those assets are capitalized as an asset and depreciated over the period of service		56,362
Governmental Funds report sale of assets as income. However, in the Statement of Activities the gain is recognized		(10,095)
Pension 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 General Fund		(103,111)
Depreciation expense on capital assets is reported in the Statement of Activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not recorded as expenditures in the General Fund		(170,207)
Net adjustment to increase net change in fund balances total governmental funds to arrive at change in net position of governmental activities	$	(184,391)

Note 9 – Risk Management

The District is exposed to various risks of loss to torts; theft of, damage of, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District joined together with other special districts for insurance coverage under Special District Risk Management Authority (SDRMA). The District pays an annual premium to SDRMA for its general insurance coverage.

The District continues to carry commercial insurance for all other risks of loss, including workers' compensation, and employee health and accident insurance.

Note 10 – Operating Lease

The District leases 23 vehicles on a 60-month term, which are set to expire between 2023 and 2025. The future minimum payments, under the operating lease are as follows:

Year Ended June 30	
2022	$ 108,964
2023	108,964
2024	73,400
2025	26,943
	$ 318,270

Lease expense totaled $121,478 for the fiscal year ended June 30, 2021.

Note 11 – Subsequent Events

The District evaluated subsequent events for recognition and disclosure through January 21, 2022, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2021 that required recognition or disclosure in such financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

MERCED COUNTY MOSQUITO ABATEMENT DISTRICT

SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 YEARS*
FOR THE MEASUREMENT PERIODS ENDED JUNE 30,

	2018	2019	2020
Total OPEB Liability			
Service cost	$ 16,881	$ 14,962	$ 14,947
Interest	22,179	23,005	17,113
Differences between expected and actual experience	(16,939)	(95,307)	(1,465)
Changes of assumptions	(12,236)	(11,436)	42,714
Benefit payments, including refunds of employee contributions	(35,013)	(31,042)	(42,462)
Net Change in Total OPEB Liability	(25,128)	(99,818)	30,847
Total OPEB Liability, Beginning	619,992	594,864	495,046
Total OPEB Liability, Ending	$ 594,864	$ 495,046	$ 525,893
Covered-employee payroll	$ 652,389	$ 749,885	$ 705,767
District's net OPEB liability as a percentage of covered-employee payroll	91%	66%	75%

Notes to Schedule:
The Discount Rate changed from 3.50% as of June 30, 2019 to 2.21% as of June 30, 2020.

There have been no other assumption changes since the last measurement date.

MERCED COUNTY MOSQUITO ABATEMENT DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 YEARS*
YEAR ENDED JUNE 30, 2021

	Proportion of the net pension liability	Proportionate share of the net pension liability	Covered - employee payroll	Proportionate share of the net pension liability as a percentage of covered-employee payroll	Plan's fiduciary net position	Plan's fiduciary net position as a percentage of the Total Pension Liability
2015	0.06225%	$ 1,538,379	$ 825,954	186.25%	$ 6,245,060	80.24%
2016	0.06169%	$ 1,692,487	$ 863,448	196.01%	$ 6,274,482	78.76%
2017	0.06080%	$ 2,112,149	$ 799,979	301.70%	$ 5,980,603	73.90%
2018	0.06122%	$ 2,413,502	$ 740,052	326.13%	$ 6,578,187	73.16%
2019	0.06443%	$ 2,428,192	$ 737,065	329.44%	$ 7,160,916	74.68%
2020	0.06698%	$ 2,682,175	$ 811,572	330.49%	$ 7,203,733	72.87%
2021	0.06777%	$ 2,858,480	$ 781,636	365.70%	$ 7,332,068	71.95%

*Fiscal year 2014-15 was the first year of implementation, therefore only seven years are shown.

MERCED COUNTY MOSQUITO ABATEMENT DISTRICT

SCHEDULE OF CONTRIBUTIONS
LAST 10 YEARS*
YEAR ENDED JUNE 30, 2021

	Contractually required contribution (actuarially determined)	Contributions in relation to the actuarially determined contributions	Contributions deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2015	$ 150,382	$ (150,382)	$ -	$ 825,954	18.21%
2016	$ 178,909	$ (178,909)	$ -	$ 863,448	20.72%
2017	$ 193,603	$ (193,603)	$ -	$ 799,979	24.20%
2018	$ 211,290	$ (211,290)	$ -	$ 740,052	28.55%
2019	$ 133,584	$ (133,584)	$ -	$ 737,065	18.12%
2020	$ 250,227	$ (250,227)	$ -	$ 811,572	30.83%
2021	$ 302,577	$ (302,577)	$ -	$ 781,636	38.71%

*Fiscal year 2014-15 was the first year of implementation, therefore only seven years are shown.

BRYANT L. JOLLEY
CERTIFIED PUBLIC ACCOUNTANTS

Bryant L. Jolley, C.P.A.
Ryan P. Jolley C.P.A.
Darryl L. Smith C.P.A.
Luis A. Perez C.P.A.
Lan T. Kimoto

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Merced County Mosquito Abatement District

We have audited, 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, the financial statements of the Merced County Mosquito Abatement District (District), which comprise the statement of net position as of June 30, 2021, and the related statement of revenues, expenses and changes in net position, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 21, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Merced County Mosquito Abatement 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 opinion on the financial statements, but not for the purpose 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 over was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Merced County Mosquito Abatement 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 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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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.

January 21, 2022