

Tulare Mosquito Abatement District
Audited Financial Statements and
Supplementary Information
June 30, 2019



ADAIR & EVANS

an Accountancy Corporation

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Tulare Mosquito Abatement District
Tulare, California

We have audited the accompanying statements of net position of Tulare Mosquito abatement District (the District) as of June 30, 2019, and the related statement of revenues, expenses, and changes in net position and cash flows, and related notes to the financial statements for the year then ended.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *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 not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tulare Mosquito Abatement District, as of June 30, 2019, and the results of its operations and cash flows for the years 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.

Emphasis of Matter

In the year ended June 30, 2019, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which modified the presentation of the financial statements by establishing standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to other postemployment benefits (OPEB) provided through defined benefits OPEB plans. In addition, GASB Statement 75 requires disclosure of information related to OPEB. The adoption of GASB 75 resulted in the adjustment of beginning net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 and schedules IV through VI as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information contained in Schedules I through III as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

These Schedules I through III have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Adair & Evans

Tulare, California
October 31, 2019

The Tulare Mosquito Abatement District was established in 1943 to provide mosquito control in the District. The District covers an area of 562 square miles in Tulare County. The District office and operations site is located at 6575 Dale Fry Dr., Tulare, CA. This discussion of the Tulare Mosquito Abatement District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the basic financial statements and the accompanying notes to the financial statements.

As a public operation, the District receives an allocation of property tax revenue from Tulare County. The District received \$1,549,549 in the current fiscal year in property tax allocations.

Discussion of the basic financial statements:

Government Wide Statements

The government wide statements present the financial picture of the District as measured by its total economic resources using the accrual basis of accounting. This is similar to that used by private sector companies. These statements provide both short term and long term information about the District's financial status as a whole. The statement of net position and statement of activities include all the assets of the District (including its infrastructure), deferred outflows of resources, all liabilities (including any long-term debt), and deferred inflows of resources. All of the current year's revenue and expenses are accounted for in the statement of activity regardless of when cash is received or paid.

The government wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, are one way to measure the District's financial health or position. Over time, increase or decrease in the District's net position are indicators of whether its financial position is improving or deteriorating. To further assess the overall health of the District, one needs to consider additional non-financial factors such as changes in the District's population, the ability to adjust service charges and the impact of changes in laws and regulations that may apply to the District.

The government wide financial statements in these financial statements include only governmental type activities.

Fund Financial Statements

The fund financial statements present the financial picture of the District in more detail than the government wide statements by describing the individual parts or funds. Funds are used to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and the District itself may establish other funds to control and manage assets for particular purposes at its discretion.

The District has only one fund type known as a governmental fund. Governmental fund types are presented on the modified accrual basis of accounting and a current resources focus. Assets expected to be used up, deferred outflows of resources and deferred inflows of resources in existence, and liabilities that come due during the year or soon thereafter are reflected. Capital assets acquisitions are treated as expenditures. Revenues for which cash is received during the year or soon thereafter are included. Expenditures for goods and services that have been received and for which payment is due during the year or soon thereafter are included.

The statements are presented using a *combination approach*, reflecting both the fund financial statements and the government-wide statements. The adjustments reconciling the different methods are disclosed in the notes to the financial statements.

The following condensed financial information is provided:

Condensed Statement of Net Position

ASSETS	\$ 6,585,021
DEFERRED OUTFLOWS OF RESOURCES	<u>167,505</u>
Total assets and deferred outflows of resources	<u>\$ 6,752,526</u>
LIABILITIES	<u>1,513,215</u>
DEFERRED INFLOWS OF RESOURCES	<u>128,197</u>
NET POSITION	
Investment in capital assets, net of related debt	183,587
Unrestricted	<u>4,927,527</u>
Total net position	<u>5,111,114</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 6,752,526</u>

Management comments of the condensed financial information:

It is the opinion of District management that the District continues to be in excellent financial condition. The District has sufficient assets to cover liabilities and has adequate cash flow to meet current obligations.

- The District's total net position decreased \$635,701 over the course of the year's operation due to the adoption of GASB 75. The overall position related to operations increased by \$567,426.

Condensed budget comparison:

The District adopts an annual Operating Budget following review of the previous year's operational needs and anticipated needs of the District. The operating budget includes proposed expenses and the anticipated tax revenues to finance them. The District's operating budget remains in effect for the entire year and is normally not revised unless dramatic changes in income or expense were to occur.

	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
REVENUES	\$ 1,332,165	\$ 1,593,368	\$ 261,203
EXPENSES	<u>1,574,995</u>	<u>1,169,195</u>	<u>405,800</u>
OPERATING (LOSS) INCOME	(242,830)	424,173	667,003
NON-OPERATING REVENUE AND EXPENSE	<u>0</u>	<u>143,253</u>	<u>143,253</u>
(DEFICIENCY) EXCESS REVENUE OVER EXPENDITURES	<u>\$ (242,830)</u>	<u>\$ 567,426</u>	<u>\$ 810,256</u>

Condensed budget comparison (Continued):

The District received more property tax revenue than anticipated. Expenditures were substantially less than budgeted for, especially in repairs and maintenance costs and chemical purchases.

The District's planned budget for the next fiscal year of operations is very conservative regarding anticipated revenue from property tax and miscellaneous sources of income. In addition, anticipated carryover from the previous budget is very conservative. In turn, the anticipated spending for the next fiscal year budget included high anticipated costs in all categories of the budget. This is done to assure operations will not have a shortfall in any category. We feel the nature of our operations is unpredictable enough to warrant this approach to our budget process.

Management comments on the investment of District funds:

The responsibility for the accounting and investment of District funds resides with the Board of Directors. The Board is limited in its investment choices. Currently the District keeps its excess funds with the County of Tulare. These funds are managed by the County to achieve an adequate return with minimal risk.

Management comments on capital assets and long term-debt:

The District's capital assets consist of buildings and equipment. The buildings include the District office and miscellaneous other service structures. The District has various types of equipment to provide mosquito abatement services, including ground spray vehicles and a Piper Pawnee 235 aircraft for aerial application.

Overall analysis

The District is in a healthy financial condition. Our cash carryover has increased this year as well as in the past several years. Growth of the tax base in our District has given the District additional revenue despite changes in the allocations of revenue sharing for Special Districts at the County level.

John Avila, Manager

Tulare Mosquito Abatement District
 Governmental Funds Balance Sheet / Statement of Net Position
 June 30, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	General Fund	Adjustments (Note 4)	Statement of Net Position
ASSETS			
Current assets:			
Cash and investments	\$ 6,269,185	\$ 0	\$ 6,269,185
Inventory	97,917	0	97,917
Prepaid insurance	34,332	0	34,332
Property and equipment, net of accumulated depreciation	0	183,587	183,587
Total assets	6,401,434	183,587	6,585,021
DEFERRED OUTFLOWS OF RESOURCES			
	0	167,505	167,505
Total assets and deferred outflows of resources	\$ 6,401,434	\$ 351,092	\$ 6,752,526

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

LIABILITIES			
Current liabilities:			
Accounts payable	\$ 6,762	\$ 0	\$ 6,762
Accumulated compensated absences	8,922	0	8,922
Total current liabilities	15,684	0	15,684
Long term liabilities:			
Net pension liability	0	176,760	176,760
Other post-employment benefits	0	1,216,776	1,216,776
Accumulated compensated absences	0	103,995	103,995
Total long term liabilities	0	1,497,531	1,497,531
Total liabilities	15,684	1,497,531	1,513,215
DEFERRED INFLOWS OF RESOURCES			
	0	128,197	128,197
FUND BALANCE			
Reserved for inventory	97,917	(97,917)	0
Unrestricted - general fund	6,287,833	(6,287,833)	0
Total fund balance	6,385,750	(6,385,750)	0
Total liabilities, deferred inflows of resources, and fund balance	\$ 6,401,434	\$ (4,760,022)	\$ 1,641,412
NET POSITION			
Invested in capital assets, net of related debt		183,587	183,587
Net position, unrestricted		4,927,527	4,927,527
Total net position		5,111,114	5,111,114
Total liabilities, deferred inflows of resources, and net position		\$ 351,092	\$ 6,752,526

See independent auditors' report

Tulare Mosquito Abatement District
Statement of Governmental Fund Revenues, Expenditures, and
Changes in Fund Net Position / Statement of Activities
For the Year Ended June 30, 2019

	General Fund	Adjustments (Note 4)	Statement of Activities
REVENUES			
Property taxes, including penalties and interest	\$ 1,549,549	\$ 0	\$ 1,549,549
Other	43,819	0	43,819
Total revenues	1,593,368	0	1,593,368
EXPENSES			
Salaries, employee benefits and payroll taxes	699,435	38,900	738,335
Agricultural	188,999	0	188,999
Telecommunications	1,597	0	1,597
Household expense	1,618	0	1,618
Insurance	70,846	0	70,846
Repairs and maintenance, equipment	52,718	0	52,718
Repairs and maintenance, structures	3,904	0	3,904
Memberships	9,930	0	9,930
Office supplies	11,084	0	11,084
Professional fees	15,810	0	15,810
Rent	9,288	0	9,288
District special expense	15,548	0	15,548
Utilities	5,106	0	5,106
Travel	2,935	0	2,935
Other	35,787	0	35,787
Capital outlay	36,315	(36,315)	0
Gain on sale of equipment	(60,000)	0	(60,000)
Depreciation	0	65,690	65,690
Total expenses	1,100,920	68,275	1,169,195
Operating income	492,448	(68,275)	424,173
NON-OPERATING REVENUE AND EXPENSES			
Use of money - interest	115,075	0	115,075
Grant income	0	0	0
Pension income	28,178	0	28,178
Total non-operating revenue and expenses	143,253	0	143,253
EXCESS OF REVENUES OVER EXPENSES	635,701	(635,701)	0
Change in net position	0	567,426	567,426
Cumulative effect of accounting change			(1,202,567)
Fund balances / Net position, beginning of year	5,750,049	\$ 0	5,746,255
Fund balances / Net position, end of year	<u>\$ 6,385,750</u>	<u>\$ 0</u>	<u>\$ 5,111,114</u>

See independent auditors' report

Tulare Mosquito Abatement District

Notes to Audited Financial Statements

June 30, 2019

NOTE 1 - Summary of Significant Accounting Policies

The accounting policies of the District conform to generally accepted accounting principles as applicable to government agencies. The following is a summary of the more significant provisions:

1. The Reporting Entity

The District, for financial purposes, includes only the funds related to the mosquito control operations.

2. Fund Accounting

The accounts of the District are organized on the basis of funds each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, deferred outflows of resource, liabilities, deferred inflows of resources, fund balance, revenue, and expenditures. Government resources are allocated to and for individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The funds in the financial statements in this report are as follows:

GOVERNMENTAL FUND TYPES

General Fund - The general fund is the general operating fund of the District. It is used to account for all financial resources except for those specifically required to be accounted for in another fund.

3. Basis of Presentation – Government Wide and Fund Financial Statements

Government wide financial statements are comprised of the statement of net position and the statement of activities. They contain information on all the activities of the primary government and are presented on the accrual basis of accounting. The statement of net position and statement of activities include all the assets of the District (including its infrastructure), deferred outflows of resources, all liabilities (including any long-term debt), and deferred inflows of resources. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The fund financial statements are comprised of the governmental funds balance sheet and the statement of governmental revenues, expenditures and changes in fund net position. These statements reflect the activity of the various governmental funds of the District and are accounted for on the modified accrual basis of accounting. Assets expected to be used up, deferred outflows of resources and deferred inflows of resources in existence, and liabilities that come due during the year or soon thereafter are reflected. Capital assets acquisitions are treated as expenditures. Revenues for which cash is received during the year or soon thereafter are included. Expenditures for goods and services that have been received and for which payment is due during the year or soon thereafter are included.

4. Net Position

Governmental Accounting Standard Board Statement (GASBS) No. 63, requires the classification of net position into three components - invested in capital assets, net of related debt; restricted, and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net position consists of capital assets, net of accumulated depreciation reduced by the outstanding debt balances, net of unamortized debt expenses, unspent debt proceeds and deferred inflows of resources related to the acquisition, construction, or improvement of the capital assets.
- Restricted – This component of net position consists of assets with external constraints placed on their use. Constraints include those imposed by bond indentures, grants or laws and regulations of other governments, by law through constitutional provisions or enabling legislation.
- Unrestricted – This component of net position consists of net amounts of assets, deferred outflows of resources, liabilities and deferred inflow that do not meet the definition of restricted or net investment in capital assets.

See independent auditors' report

Tulare Mosquito Abatement District

Notes to Audited Financial Statements

June 30, 2019

NOTE 1 - Summary of Significant Accounting Policies (Continued)

5. Basis of Accounting

The basis of accounting refers to when revenue and expenditures are recognized in the accounts and reported in the financial statements. The basis of accounting refers to the timing of the measurements made, regardless of the measurement focus applied.

The governmental fund types are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Gross receipts and taxes are considered measurable when in the hands of intermediary collecting governments and are recognized as revenue at that time. All major revenues are susceptible to accrual. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

6. Budgets and Budgetary Accounting

The District follows these procedures in establishing budgetary data reflected in these financial statements:

- a. Formal budgets are established and approved by the Tulare County Board of Supervisors for all fund types. These budgets are used as a management control device and are adopted on a basis consistent with generally accepted accounting principles.
- b. The budgetary comparison schedule presents comparisons of legally adopted budgets with actual data. Since both the actual data and the budget amounts are presented on a basis consistent with generally accepted accounting principles, no additional reconciliation is required.
- c. The Tulare County Board of Supervisors approves total budget appropriations only. The District's Board of Directors can authorize transfers between departments in any fund.
- d. Unused appropriations for all of the annually budgeted funds lapse at the end of the year.
- e. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

7. Cash and Investments

The District follows the practice of pooling cash investments of most funds with the County Treasurer. Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. As of June 30, 2019 the district was within the FDIC insured limit in its checking account. The District does not maintain any separate investment accounts.

8. Property, Plant, and Equipment

The District's property, plant and equipment is recorded at cost. The cost of additions, renewals and betterments are capitalized; repairs and minor acquisitions and replacements are charged to operating expense as incurred. Interest costs incurred that are related to the construction of property are capitalized.

Depreciation is computed on the straight-line method using the following estimated useful lives:

Building and improvements	15-40 years
Equipment	5-20 years

9. Inventory

Inventory consists of chemicals held for future use. Inventories are stated at the lower of cost or market accounted for on the consumption method.

See independent auditors' report

Tulare Mosquito Abatement District

Notes to Audited Financial Statements

June 30, 2019

NOTE 1 - Summary of Significant Accounting Policies (Continued)

10. Accumulated Compensated Absences

Employees earn up to twelve days (96 hours) of sick leave each year and are allowed to accrue an unlimited amount. Vacation time is earned at a rate of 10 days (80 hours) per year for the first five years; after five years employees earn one extra vacation day for each year worked, up to a maximum of 15 days. Unused vacation time may be accumulated to a total of 30 working days. Accrued compensated absences have been provided for based on each employee's sick leave and vacation at June 30, 2019.

11. Revenue Recognition - Property Taxes

Real property taxes attach as an enforceable lien on property five years from the end of the applicable tax year. Unsecured property taxes attach as an enforceable lien after the penalty date, which varies depending upon when the unsecured taxes were billed. Taxes are levied on March 1 and are due and payable at that time. One half of the unpaid real property taxes levied March 1 become delinquent December 10 of the current year and the remaining half become delinquent April 10 of the following year.

In a prior year, Tulare County (tax collecting agency for the District), adopted the "Teeter Plan." The Teeter Plan is an alternative procedure for the distribution of property tax revenues under Revenue and Taxation Code Sections 4701 through 4717. The Teeter Plan provides for a buyout of prior secured taxes, and advance payments of the secured levy throughout the year.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within thirty days after year end. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided.

12. Reserves of Fund Equity

The District also designated amounts in the General Fund as follows:

Inventory	\$	97,917
Asphalt Removal & Replacement		125,000
Emergency Invasive Aedes Outbreak		250,000
Replacement spray vehicles / tablets (6)		215,000
General reserves		<u>5,384,500</u>
Total	\$	<u>6,072,417</u>

Reserves for inventory are required because they do not represent "available spendable resources," even though they are a component of net current assets.

13. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, the pension expense, information about the fiduciary net position of the Local Government of Example's California Public Employees' Retirement System (CalPERS) plans (plans) and additions to/deductions 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. CalPERS audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

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

Valuation Date (VD)	June 30, 2017
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

See independent auditors' report

Tulare Mosquito Abatement District

Notes to Audited Financial Statements

June 30, 2019

NOTE 1 - Summary of Significant Accounting Policies (Continued)

14. Subsequent Events

Subsequent events have been evaluated through October 31, 2019 which is the date the financial statements were available to be issued.

NOTE 2 - Property, Plant and Equipment

The following is a summary of the changes in Capital Assets:

COST:	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Structures	\$ 386,554	\$ 11,157	\$ 0	\$ 397,711
Equipment	<u>537,304</u>	<u>25,157</u>	<u>36,000</u>	<u>526,461</u>
Total	<u>\$ 923,858</u>	<u>\$ 36,314</u>	<u>\$ 36,000</u>	<u>\$ 924,172</u>
ACCUMULATED DEPRECIATION:	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Structures	\$ 220,515	\$ 24,935	\$ 0	\$ 245,450
Equipment	<u>490,380</u>	<u>40,755</u>	<u>36,000</u>	<u>495,135</u>
Total	<u>\$ 710,895</u>	<u>\$ 65,690</u>	<u>\$ 36,000</u>	<u>\$ 740,585</u>

Note 3 - Accounting Change

The District provides post-retirement medical benefits in accordance with its policy to qualified retirees through the District's Employee Health Care Plan (the "Health Plan"). In 2018, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). The primary objective of GASB 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). For defined benefit OPBS, GASB 75 identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The District considers post-employment healthcare benefits to be OPEB costs.

Under GASB 75, the District's entire unfunded OPEB liability is required to be recognized and reported as an obligation in the financial statements.

For practical purposes, the District elected, as permitted by GASB 75, to report the prior periods' cumulative effect of applying GASB 75 as a restatement of the beginning net position for the period in which GASB 75 is first applied. Accordingly, the District's cumulative effect related to the unfunded OPEB liability of \$1,202,567, as of July 1, 2018 was recognized as an adjustment to beginning net position.

See independent auditors' report

Tulare Mosquito Abatement District

Notes to Audited Financial Statements

June 30, 2019

NOTE 4 – Defined Benefit Pension Plan

A. GENERAL INFORMATION

Plan Description

All qualified permanent and probationary employees were eligible to participate in the Miscellaneous Plan of the Tulare Mosquito Abatement part of the Public Agency portion of the California Public Employees Retirement System (CalPERS), an agent multiple-employer plan administered by CalPERS, which acts as common investment and administrative agent for participating member employers. New hires subsequent to January 1, 2013, or a CalPERS member who has a break in service greater than six months who is subsequently rehired by a different CalPERS employer is included in the Tulare Mosquito Abatement District PEPR (Public Employee’s Pension Reform Act of 2013) Miscellaneous Plan. Benefits provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. The basic benefit will be 2% of "final compensation" for each year of credited service upon retirement at age 60. Final compensation is defined as the average monthly pay during the last 36 consecutive months of work or another period of 36 consecutive months selected by the member if the average pay rate was higher. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustment for each plan is applied as specified by the Public Employee’s Retirement law.

Hire Date	Prior to January 1, 2013	On or after January 1, 2013
Benefit Formula	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 67	52 - 67
Monthly benefits, as a % of eligible compensation	1.0% - 2.5%	1.0% - 2.5%

Employees Covered

At June 30, 2018 the following employees were covered by the benefit terms of the Plan:

	Miscellaneous Plan	PEPRA
Inactive employees or beneficiaries currently receiving benefits	10	0
Inactive employees entitled to but not yet receiving benefits	0	0
Active employees	2	3
Total	12	3

See independent auditors’ report

Tulare Mosquito Abatement District
Notes to Audited Financial Statements
June 30, 2019

NOTE 4 - Defined Benefit Pension Plan (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

B. NET PENSION LIABILITY

The District's net pension liability for the plan is measured as the total pension liability, less the pensions plan's fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2017, using an annual actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions

The total pension liabilities in the June 30, 2017 and June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

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	2.75%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all Funds
Post-Retirement Benefits Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies 2.75% therein.

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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 returns, net of pension plan investment expense and inflation) are developed for each major asset class.

Tulare Mosquito Abatement District
Notes to Audited Financial Statements
June 30, 2019

NOTE 4 - Defined Benefit Pension Plan (Continued)

Discount Rate (Continued)

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. 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 (11-60 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 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 rounded down to the nearest one quarter of one percent.

The long-term expected rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018.

The table below reflects long-term expected real rate 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	New Strategic Allocation	Real Return Years 1 - 101	Real Return Years 11+2
Global Equity	47.0%	4.90%	5.38%
Global Fixed Income	19.0	0.80	2.27
Inflation Sensitive	6.0	0.60	1.39
Private Equity	12.0	6.60	6.63
Real Estate	11.0	2.80	5.21
Infrastructure and Forestland	3.0	3.90	5.36
Liquidity	2.0	(0.40)	(0.90)
1 An expected inflation of 2.5% used for this period			
2 An expected inflation of 3.0% used for this period			

Tulare Mosquito Abatement District

Notes to Audited Financial Statements

June 30, 2019

NOTE 4 - Defined Benefit Pension Plan (Continued)

C. Changes in the Net Pension Liability

The Changes in the Net Pension Liability for the Miscellaneous Plan is as follows:

	TOTAL PENSION LIABILITY	PLAN FIDUCIARY NET POSITION	NET PENSION (LIABILITY) ASSET
Balance at 6/30/2018	2,839,734	2,638,278	201,456
Changes in the year:			
Service Cost	70,261	-	70,261
Interest on Total Pension Liability	187,901	-	187,901
Changes of Benefit Terms	115	-	115
Changes of Assumptions	(24,665)	-	(24,665)
Differences between Expected and Actual Experience	33,871	-	33,871
Net Plan to Plan Resource Movement	-	24,531	(24,531)
Contributions - Employer	-	26,656	(26,656)
Contributions - Employees	-	36,905	(36,904)
Net Investment Income	-	215,318	(215,318)
Benefit Payments, including Refunds of Employee Contributions	(124,994)	(124,994)	-
Administrative Expense	-	(3,874)	3,874
Other Miscellaneous Income	-	(7,356)	7,356
Net changes	142,489	167,186	(24,696)
Balance at 6/30/2019	2,982,223	2,805,464	176,760

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

The following presents the net pension liability/(asset) of the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.65 percent) or 1 percentage-point higher (8.65 percent) than the current rate:

MISCELLANEOUS PLAN

	<u>Discount Rate - 1%</u> <u>(6.15%)</u>	<u>Assumed Discount</u> <u>Rate (7.15%)</u>	<u>Discount Rate + 1%</u> <u>(8.15%)</u>
Plan's Net Pension Liability	\$ 571,131	\$ 176,760	\$ (148,787)

See independent auditors' report

Tulare Mosquito Abatement District

Notes to Audited Financial Statements

June 30, 2019

NOTE 4 - Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2019, the District recognized pension income of \$28,178. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in Expected and Actual Experience	\$6,782	\$ 2,308
Changes of Assumptions	\$ 20,151	\$ 4,939
Differences between Projected and Actual Investment Earnings	\$ 874	-
Change in Employers Proportion	\$107,111	\$11,217
Differences between Employer's Contributions and Proportionate Share of Contributions	-	\$ 109,733
Adjustment due to Differences in Proportions	\$ 32,587	\$ 0
Total	\$ 167,505	\$ 128,197

\$32,587 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense (income).

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expenses as follows:

<u>Fiscal Year Ending June 30:</u>		
2020	\$	(439)
2021		2,921
2022		5,830
2023		(1,590)
Thereafter		-
		6,722

NOTE 5 - Adjustments

The following adjustments are required to reconcile the fund financial data to government-wide data. Government-wide financial data presents the financial information of the District under the accrual method of accounting, as required by Statement No. 63 of the Governmental Accounting Standards Board.

1. Assets reported as property, plant and equipment under the general fixed asset account group at \$924,193, are now reported as property and equipment, net of accumulated depreciation at \$183,587.
2. Accumulated compensated absences reported in the amount of \$103,995 are now reported as long-term liabilities.
3. Various fund balances reserved by the Board of Directors have been eliminated and are now reported as a component of net position.
4. Capital outlay expense reported at \$36,315 is reported.
5. Depreciation expense not previously reported is now reported at \$65,690.

See independent auditors' report

Tulare Mosquito Abatement District

Notes to Audited Financial Statements

June 30, 2019

NOTE 5 – Adjustments (Continued)

6. The District's prior fiscal year ending June 30, 2018, fund balance in the amount of \$5,746,225 includes the following items.
 - a. Investment in Capital Assets, net of related debt of \$212,962.
 - b. Unrestricted Fund Balance in the amount of \$5,533,293.

7. Adjustment to beginning fund balance in the General Fund
 - a. Beginning net position was adjusted by \$137,452 as the net pension liability, deferred inflows and deferred outflows to conform with GASB 63 as these are not financial resources and therefore not included in the general fund.

NOTE 6 – Fair Value Disclosure

GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The district utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique.

GASB 72 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy defined by GASB No. 72 are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.

- Level 3 inputs are unobservable inputs that reflect the District's own assumptions about factors that market participants would use in pricing the asset or liability.

The valuation methods of the fair value measurements are as follows:

Investment Pool – uses the fair value of the pool's share price multiplied by the number of shares held. This pool can include a variety of investments such as U.S. government securities, federal agency securities, and other investments. The fair values of the securities are generally based on quoted market prices.

	Fair value as of June 30, 2018		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments, including cash and cash equivalents			
Investment Pool – Tulare County	\$ 0	\$ 5,697,583	\$ 5,697,583
	<u>\$ 0</u>	<u>\$ 5,697,583</u>	<u>\$ 5,697,583</u>
	Fair value as of June 30, 2019		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments, including cash and cash equivalents			
Investment Pool – Tulare County	\$ 0	\$ 6,126,419	\$ 6,126,419
	<u>\$ 0</u>	<u>\$ 6,126,419</u>	<u>\$ 6,126,419</u>

See independent auditors' report

Tulare Mosquito Abatement District

Notes to Audited Financial Statements

June 30, 2019

Note 7 – Other Post-Employment Benefits

As described in Note 3, the District adopted GASB 75 as of July 1, 2018, which replaces GASB statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits other than Pensions (GASB 45). The primary objective of GASB 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB).

Plan Description - The District provides post-retirement medical benefits in accordance with the District's policy to qualified retirees and their spouses through the District's Employee Health Care Plan (the "Health Plan"). The medical insurance coverage is provided under the District's group policy plan which covers both current and post-employment retirees. The qualifications requirements for these benefits are the same as those under the District's Retirement Plan.

Benefits Provided - offers integrated medical/prescription drug coverage through CalPERS under the Public Employees' Medical and Hospital Care Act (PEMHCA). The District offers the same medical plan (PERS Choice) to its retirees and surviving spouses as to its active employees, with the exception that once a retiree becomes eligible for Medicare he or she must join the PERS Choice Medicare Supplement, with Medicare becoming the primary payer. Dental, vision, and group-term life insurance benefits are also provided to employees of the District but are not extended to retirees.

Employees become eligible to retire and receive District-paid healthcare benefits upon attaining eligibility to retire under CalPERS, that is, the later of attainment of age 50 (age 52 for PEPRA employees) and 5 years of service. The District pays medical premiums (PERS Choice or PERS Choice Medicare Supplement) for the further lifetime of the retiree, including the cost of spousal and dependent child coverage, if elected, and continued coverage for surviving spouses receiving survivorship benefits under CalPERS.

Employees Covered - At June 30, 2019 the following employees were covered by the benefit terms for each Plan:

	<u>Misc. Plan</u>
Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	0
Active employees	5

Net OPEB Liability - The District's net OPEB liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date as of June 30, 2019.

Actuarial Methods and Assumptions

Valuation Date	July 1, 2018
Measurement Date	June 30, 2018 & June 30, 2019

Discount Rate - 3.50%

Salary Increases - 3.00% per annum (for spreading of normal cost)

Pre-retirement Turnover: Crocker-Sarason Table T-5 less mortality, reduced by 20% at all ages.

Mortality Rate Table - Pre-retirement - RP-2014 Employee Mortality, Post-retirement - RP-2014 Healthy Annuitant Mortality

Healthcare Cost Trend Rates - 8.00% per year for 2018, 7.00% at 2019, 6.00% and 5.00% thereafter.

Mortality Projection - Generational projection based on 100% of scale MP-2016 for years 2014 through 2029, 50% of MP-2016 for years 2030 through 2049, and 20% of MP-2016 for 2050 and thereafter.

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

See independent auditors' report

Tulare Mosquito Abatement District

Notes to Audited Financial Statements

June 30, 2019

Note 7 - Post-Employment Benefits Other Than Pensions (Continued)

	Total OPEB Liability
Balance at June 30, 2018	\$ 1,202,567
<i>Changes for the year:</i>	
Service Cost	45,471
Interest on TOL plus service cost, less 1/2 benefit payments	42,392
Benefit Payments	<u>(73,654)</u>
Net Changes	<u>14,209</u>
Balance at June 30, 2019	\$ <u>1,216,776</u>

Sensitivity of the Total OPEB Liability to changes in the Discount Rate – The following presents the District’s OPEB liability, calculated using the discount rate of 3.5%, as well as what the District’s OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease <u>2.50%</u>	Current Discount Rate <u>3.50%</u>	1% Increase <u>4.50%</u>
Net Pension Liability	\$ 1,385,020	\$ 1,216,776	\$ 1,078,764

Sensitivity of the Total OPEB Liability to changes in the Healthcare Trend Rates – The following presents the District’s OPEB Liability using the actuarial rates described above, as well as what the District’s OPEB liability would be if it were calculated using a healthcare trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease <u>7 - 4%</u>	Current Discount Rate <u>8 - 5 %</u>	1% Increase <u>9 - 6 %</u>
Net Pension Liability	\$ 1,063,401	\$ 1,216,776	\$ 1,406,285

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related

At June 30, 2019, 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
Changes in assumptions	0	0
Differences between actual and expected experience	<u>0</u>	<u>0</u>
Total	\$ <u>0</u>	\$ <u>0</u>

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

Year Ended <u>June 30,</u>	<u>Amounts</u>
2019	\$ 0
2020	0
2021	0
2022	0
2023	0
Thereafter	0

See independent auditors’ report

SUPPLEMENTARY INFORMATION

Tulare Mosquito Abatement District

Schedule I - Property Tax Revenues

June 30, 2019

SCHEDULE I - Property Tax Revenues

Current secured taxes	\$ 1,342,483
Current unsecured taxes	78,374
Residual distribution	62,559
Supplemental tax, current secured	24,962
Supplemental tax, prior	3,509
Prior year's taxes, unsecured	1,185
Prior year's taxes, secured	24,820
Homeowners' property tax relief	<u>11,657</u>
Total	<u>\$ 1,549,549</u>

See independent auditors' report

Tulare Mosquito Abatement District

Schedule II - Budgetary Comparison Schedule

For the Year Ended June 30, 2019

SCHEDULE II - Budgetary Comparison Schedule

	General Funds		Variance- Favorable (Unfavorable)
	Budget	Actual	
REVENUES			
Property taxes, including penalties and interest	\$ 1,332,165	\$ 1,549,549	\$ 217,384
Other	0	43,819	43,819
Total revenues	<u>1,332,165</u>	<u>1,593,368</u>	<u>261,203</u>
EXPENSES			
Salaries, employee benefits and payroll taxes	772,771	738,335	34,436
Agricultural	494,276	188,999	305,277
Telecommunications	2,502	1,597	905
Household Expense	5,292	1,618	3,674
Insurance	33,000	70,846	(37,846)
Repairs and maintenance, equipment	107,000	52,718	54,282
Repairs and maintenance, structures	19,352	3,904	15,448
Memberships	14,198	9,930	4,268
Office supplies	8,412	11,084	(2,672)
Professional fees	11,655	15,810	(4,155)
Rent	12,478	9,288	3,190
District Special Expense	15,682	15,548	134
Utilities	5,284	5,106	178
Travel	7,593	2,935	4,658
Other	65,500	35,787	29,713
Gain on sale of equipment	0	(60,000)	60,000
Depreciation	0	65,690	(65,690)
Total expenses	<u>1,574,995</u>	<u>1,169,195</u>	<u>405,800</u>
Operating (loss) income	(242,830)	424,173	667,003
NON-OPERATING REVENUE AND EXPENSE			
Use of money - interest	0	115,075	115,075
Pension income	0	28,178	28,178
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ (242,830)</u>	<u>\$ 567,426</u>	<u>\$ 810,256</u>
Net position, beginning of year		5,746,255	
Cumulative effect of accounting change		(1,202,567)	
Net position, end of year		<u>\$ 5,111,114</u>	

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Tulare Mosquito Abatement District

Schedule III - Insurance Coverage

June 30, 2019

SCHEDULE III - Insurance Coverage

Insurance coverage of the District in force at June 30, 2019, is summarized as follows:

General		
Each occurrence/policy limit	\$	5,000,000
Automobile		
Each occurrence/policy limit	\$	5,000,000
Public Officials' and Employees' Errors and Omissions		
Each occurrence/policy limit	\$	5,000,000
Employment Practices Liability		
Each occurrence/policy limit	\$	5,000,000
Employee Dishonesty Coverage		
Public employee dishonesty	\$	1,000,000
Forgery or alteration and theft	\$	1,000,000
Disappearance and destruction	\$	1,000,000
Property		
Each occurrence/policy limit	\$	1,000,000,000
Boiler and Machinery		
Replacement cost/each occurrence	\$	100,000,000
Public Officials Personal Liability		
General aggregate	\$	500,000
Each occurrence	\$	500,000
Workers Compensation/Employer's Liability		
Each occurrence/employee/policy limit	\$	5,000,000
Aircraft		
Single Limit	\$	5,000,000

See independent auditors' report

Tulare Mosquito Abatement District
Schedule IV - Proportion share of Net Pension Liability - Last 10 Years* (Unaudited)
 For the Year Ended June 30, 2019

	2015	2016	2017	2018	2019
Miscellaneous Plan					
Proportion of the net pension liability (asset)	0.00505 %	0.00215 %	0.00460 %	0.00381 %	0.00017 %
Proportionate share of the net pension liability (asset)	\$ 314,377	\$ (45,934)	\$ 132,248	\$ 201,456	\$ 176,760
Covered - employee payroll	\$ 356,623	\$ 336,724	\$ 385,705	\$ 338,495	\$ 427,711
Proportionate Share of the net pensions liability (asset) as percentage of covered-employee payroll	88.15 %	(13.64) %	0.34 %	0.60 %	0.41 %
Plan's fiduciary net position	\$ 1,921,725	\$ 2,805,947	\$ 2,493,830	\$ 2,638,278	\$ 2,738,653
Plan fiduciary net position as a percentage of the total pension liability	172 %	88.71 %	88.71 %	92.90 %	94.34 %
Plan's Proportionate Share of Aggregate Employer Contributions	\$ 20,177	\$ 19,589	\$ 23,700	\$ 22,185	\$ 26,656

* Fiscal Year 2015 was the first year of implementation, therefore only five years are shown

Tulare Mosquito Abatement District
 Schedule V - Schedule of Contributions - Last 10 Years* (Unaudited)
 For the Year Ended June 30, 2019

Miscellaneous Plan	2015	2016	2017	2018	2019
Contractually required contributions (actuarially determined)	\$ 19,232	19,589	23,700	22,185	26,656
Contributions in relation to the actuarially determined contributions	<u>(19,232)</u>	<u>(19,589)</u>	<u>(23,700)</u>	<u>(22,185)</u>	<u>(26,656)</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered-employee payroll	\$ 356,623	336,724	385,705	338,495	427,711
Contributions as a percentage of covered-employee payroll	5.39 %	5.82 %	6.14 %	6.55 %	6.23 %

* Fiscal Year 2015 was the first year of implementation, therefore only five years are shown

Tulare Mosquito Abatement District
 Schedule VI - Other Post-Employment Benefits (Unaudited) - Last 10 Years* (Unaudited)
 For the Year Ended June 30, 2019

Schedule of Changes in net OPEB liability and related ratios (Unaudited)

	2019
<i>Changes for the year:</i>	
Service Cost	\$ 45,471
Interest on TOL plus service cost, less ½ benefit payments	42,392
Benefit Payments	-73,654
Net Change in Total OPEB Liability	14,209
Total OPEB Liability - Beginning Balance	1,202,567
Total OPEB Liability - Ending Balance	\$ 1,216,776
 Plan Fiduciary Net Position	 \$ 0
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	0
Covered-Employee Payroll	\$ 356,926
Total OPEB Liability as a % of Covered-Employee Payroll	341%

Fiscal year 2019 was the first year of implementation, therefore only four years are shown. Ultimately, this schedule will present 10 years of data.