

LOS ANGELES COUNTY WEST VECTOR
CONTROL DISTRICT
FINANCIAL STATEMENTS
JUNE 30, 2020

LOS ANGELES COUNTY WEST VECTOR CONTROL DISTRICT

JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Los Angeles County West Vector
Control District
Culver City, California

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities of the General Fund of the Los Angeles County West Vector Control (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 assessment of the risks of material misstatement of the financial statement, 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 of the effectiveness of the District'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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Los Angeles County West Vector Control District as of June 30, 2020, and the respective changes in financial position thereof and the respective budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 consists of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 of the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Tahim and Associates,
A professional corporation
Anaheim, California

January 4, 2021

The Los Angeles County West Vector & Vector-Control District Management's Discussion and Analysis For the Year Ending June 30, 2020

As management of the Los Angeles County West Vector & Vector-Borne Disease Control District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities and performance of the District for the fiscal year ended June 30, 2020. Please read it in conjunction with additional information that we have furnished in the accompanying basic financial statements, which follow this section.

Financial Highlights

- The District's net position decreased 1.9% from \$17,268,750 (2019) to \$16,946,434 (2020) because of this year's operations.
- During the year, the District's property (benefit) assessment revenue increased 2.3% from \$5,982,654 (2019) to \$6,117,987 (2020); and the District's property tax revenue increased by 11.9% from \$1,508,954 (2019) to \$1,688,825 (2020).
- Total revenues from all sources increased 3.7% from \$7,694,690 (2019) to \$7,980,044 (2020) from the prior year.
- Total expenses increased by 20.5% from \$6,889,747 (2019) to \$8,302,360 (2020).

Using This Financial Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities and performance of the District using accounting methods like those used by private sector companies. The Statement of Net Position includes all the District's investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for computing a rate of return, evaluating the capital structure of the District and the assessing the liquidity and financial flexibility of the District. All the current year's revenue and expenses are accounted for in the Statement of Activities. This statement measures the District's operations over the past year and can be used to determine the District's net operating reserves and credit worthiness.

District Activities

Mosquito and vector control are necessary on a continuous routine and area-wide basis to protect public health, enhance the economic development, and maintain the recreational use and enjoyment of outdoor living.

The Los Angeles County West Vector & Vector-Borne Disease Control District (District) was formed in 1944 and consisted of only 5 square miles. Over the next 76 years, there have been numerous annexations into the District. At the present time, the District covers over 720 square miles, contains 23 cities and unincorporated territory of the County of Los Angeles, and provided services for over 4,800,000 people. This makes the Los Angeles County West Vector & Vector-Borne Disease Control District the second largest vector control district in the state of California by population served.

To put this into perspective, the District serves a constituency that is larger in population than 24 states within the United States (Oregon, Oklahoma, Connecticut, Iowa, Mississippi, Arkansas, Kansas, Utah, Nevada, New Mexico, West Virginia, Nebraska, Idaho, Maine, New Hampshire, Hawaii, Rhode Island, Montana, Delaware, South Dakota, Vermont, and Wyoming).

**The Los Angeles County West Vector & Vector-Control District
Management's Discussion and Analysis
For the Year Ending June 30, 2020**

The District includes the cities of Agoura Hills, Beverly Hills, Calabasas, Culver City, El Segundo, Hawthorne, Hermosa Beach, Hidden Hills, Inglewood, Lawndale, Lomita, the westerly portion of Los Angeles City, Malibu, Manhattan Beach, Palos Verdes Estates, Rancho Palos Verdes, Redondo Beach, Rolling Hills, Rolling Hills Estates, Santa Monica, Torrance, West Hollywood, Westlake Village, and unincorporated territory of the County of Los Angeles.

The District collects revenue from two principal sources: 1) Shared distribution of LA County's 1% property tax levy, and from 2) Benefit assessments levies.

The District provides, at the highest standard, abatement and control services, public education programs, monitoring, surveillance, and laboratory testing for vectors and vector-borne diseases associated with mosquitoes, Africanized honeybees/stringing insects, ticks, red imported fire ants, biting midges, and other insects of public health significance. The direct assessment for 2019-2020 was \$10.94 per parcel/year. To put the \$10.94 per parcel/year charge into perspective, it would cost each household in the Los Angeles County West Vector Control District \$23.52 to buy three cans of insect spray: one for mosquitoes, one for Africanized honeybees and stinging insects, and one for ants/fire ants. The complete package of services that is provided by the District, which includes abatement and control services, public education programs, disease surveillance, and laboratory testing for vectors and vector-borne diseases control, remains an exceptional value for the small annual fee assessed each year.

The benefit assessment charge is adjusted up or down annually to cover the anticipated costs of doing business and maintaining the quality of service that the District has provided in the past.

Government-wide Financial Statement

Statement of Net Position and Statement of Activities

These statements include all assets and liabilities using the accrual basis of accounting, which is like the accounting used by most private sector companies. All the current year's revenues and expenses are considered regardless of when the cash is received or paid. These two statements report the District's net position, which is the difference between assets and liabilities. Over time, increases and decreases in the District's net position may be due to non-financial factors such as changes in the District's property tax and assessment base.

Government Funds Financial Statements

Balance Sheet and Statement of Revenue, Expenditures and Changes in Fund Balances

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

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

**The Los Angeles County West Vector & Vector-Control District
Management's Discussion and Analysis
For the Year Ending June 30, 2020**

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basis financial statements can be found on pages 10 through 25.

Other Information

A detailed analysis of actual expenditures compared to the budgeted amounts is presented in the Budgetary Comparison Statement, which can be found on page 11.

Governmental-wide Financial Analysis

Condensed Statement of Net Position

	2020	2019	Change
Assets:			
Currents assets	\$6,863,698	\$6,807,142	\$56,556
Capital Assets, Net	\$14,119,610	\$13,580,784	\$538,826
Deferred Outflow of Resources	\$433,995	\$650,785	(\$216,790)
Total Assets	\$21,417,303	\$21,038,711	\$378,592
Liabilities:			
Current Liabilities	\$117,892	\$319,673	(\$201,781)
Long Term Liabilities	\$3,730,936	\$3,284,040	\$446,896
Deferred Inflow of Resources	\$622,041	\$166,248	\$455,793
Total Liabilities	\$4,470,869	\$3,769,961	\$700,908
Net Position:			
Invested in Capital Assets	\$14,119,610	\$13,580,784	\$538,826
Unrestricted	\$ 2,826,824	\$3,687,966	(\$861,142)
Total Net Position	\$16,946,434	\$17,268,750	(\$322,316)

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets of the District exceeded liabilities by \$17,268,750 (2019) and by \$16,946,434 (2020).

A portion of the District's total assets, 78.7% or \$13,580,784 in 2019 and 83.3% or \$14,119,610 in 2020, is invested in capital assets. The District uses these capital assets for operations; consequently, these assets are not available for the future spending.

The District receives the bulk of its funding from the Los Angeles Tax Collector at the end of the months of December and April, which coincides with the property tax and benefit assessment payments dates of December 10 and April 10.

**The Los Angeles County West Vector & Vector-Control District
Management's Discussion and Analysis
For the Year Ending June 30, 2020**

Condensed Statement of Activities and Changes in Fund Balances

	2020	2019	Change
Total Revenues	\$7,980,044	\$7,694,690	\$285,354
Total Expenses	\$8,302,360	\$6,889,747	\$1,412,613
Change in Net Assets	(\$322,316)	\$804,943	(\$1,127,259)
Fund Balance – Beginning of Yr. (Prior Period Adjustment)	\$17,268,750 0	\$16,383,659 80,148	885,091 (\$80,148)
Fund Balance – End of Year	\$16,946,434	\$17,268,750	(\$322,316)

The statement of activities shows how the District's net changed during the fiscal year. In the case of the District, net position decreased by \$322,316.

General Fund Budgetary Highlights

A detail analysis of actual expenditures compared to the budgeted amounts can be seen on page 11.

Capital Asset Administration

	Balance 2019	Additions	Transfer	Balance 2020
Land	\$8,993,149	\$646,743	(\$520,000)	\$9,119,892
Depreciable Capital Assets	\$8,815,647	\$128,835	\$520,000	\$9,464,482
Accumulated Depreciation	(\$4,228,012)	(\$236,752)	0	(\$4,464,764)
Net Capital Assets	\$13,580,784	\$538,826	0	\$14,119,610

At the end of the fiscal year 2020, the District's investment in capital assets amounted to \$14,119,610 (net of the accumulated depreciation). This investment in capital assets includes building and improvements, vehicles, equipment, machinery and furniture and fixtures.

Conditions Affecting Current Financial Position

The District has been able to create and project a substantial cash flow reserve to defray expenses between the beginning of a fiscal year and the time of distribution of the tax receipts in the fiscal year (dry period) to yield sufficient revenue. To that end, as of June 30, 2020, the District has \$5,688,081 cash available.

Conditions Affecting Current Financial Position

West Nile virus (WNV) continues to and will remain endemic in Southern California and it is expected that the control and service request responses from citizens will continue to increase, along with a significant increase in manpower to control the invasive *Aedes albopictus* and *Aedes aegypti* species now within the District. Although there has never been a single locally acquired case of Zika virus, dengue fever, chikungunya, or yellow fever, transmitted by this species of mosquito in California, they remain a possible local transmitter and a new daytime nuisance insect.

**LOS ANGELES COUNTY WEST VECTOR CONTROL DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2020**

	General Fund	Adjustments	Statement of Net Position
Assets:			
Cash on deposit with County Treasurer	\$ 4,943,490	\$ -	\$ 4,943,490
Cash in bank	432,321	-	432,321
Cash in Local Agency Investment Fund	312,270	-	312,270
Taxes receivable	486,302	-	486,302
Interest receivable	14,442	-	14,442
Prepaid OPEB costs	-	674,873	674,873
Capital assets, net of accumulated depreciation	-	14,119,610	14,119,610
Deferred Outflows of Resources:			
Deferred Pension Outflows:	-	433,995	433,995
Total Assets	\$ 6,188,825	\$15,228,478	\$21,417,303
Liabilities:			
Current Liabilities:			
Accounts payable	\$ 63,592	\$ -	\$ 63,592
Compensated absences	-	54,300	54,300
Total Current Liabilities	63,592	54,300	117,892
Long Term Liabilities:			
Compensated absences	-	488,699	488,699
Net Pension Liability	-	3,242,237	3,242,237
Total Liabilities	63,592	3,785,236	3,848,828
Deferred Inflows of Resources:			
Deferred tax revenue	296,651	(296,651)	-
Deferred Pension Inflows	-	147,340	147,340
Deferred Postemployment Inflows	-	474,701	474,701
Total Deferred Inflows of Resources	296,651	325,390	622,041
Fund Balances/Net Assets:			
Fund Balances:			
Unassigned	5,828,582	(5,828,582)	-
Total Fund Balances	5,828,582	(5,828,582)	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,188,825	\$ (1,717,956)	\$ 4,470,869
Net Assets:			
Invested in capital assets, net of related debt		\$14,119,610	\$14,119,610
Unrestricted		2,826,824	2,826,824
Total Net Assets		\$16,946,434	\$16,946,434

SEE NOTES to Financial Statements

**LOS ANGELES COUNTY WEST VECTOR CONTROL DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL
FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2020**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Property taxes	\$ 1,644,051	\$ 44,774	\$ 1,688,825
Benefit assessments	6,117,987	-	6,117,987
Interest	72,952	-	72,952
Miscellaneous	100,280	-	100,280
	<u>7,935,270</u>	<u>44,774</u>	<u>7,980,044</u>
Total Revenues			
Expenditures:			
Salaries	3,972,377	74,797	4,047,174
Retirement	656,308	488,030	1,144,338
Medical	721,100	178,915	900,015
Clothing and household	67,610	-	67,610
Insurance	305,712	-	305,712
Vector ecology & laboratory	126,040	-	126,040
Maintenance & equipment	72,415	-	72,415
Maintenance of building	55,889	-	55,889
Membership dues	7,459	-	7,459
Training, meetings & conferences	27,384	-	27,384
Office & educational	195,127	-	195,127
Professional services	322,662	-	322,662
Insecticides & safety	510,616	-	510,616
Transportation	92,795	-	92,795
Utilities	119,196	-	119,196
Communications	57,045	-	57,045
Security system	14,131	-	14,131
Depreciation	-	236,752	236,752
Purchase of fixed assets	775,580	(775,580)	-
	<u>8,099,446</u>	<u>202,914</u>	<u>8,302,360</u>
Total Expenditures			
Excess (Deficiency) of Revenues Over (Under) Expenditures/ Changes in Net Assets	<u>(164,176)</u>	<u>(158,140)</u>	<u>(322,316)</u>
Fund Balances/Net Assets:			
Beginning of year	<u>5,992,758</u>	<u>11,275,992</u>	<u>17,268,750</u>
End of year	<u>\$ 5,828,582</u>	<u>\$ 11,117,852</u>	<u>\$ 16,946,434</u>

SEE NOTES to FINANCIAL STATEMENTS

**LOS ANGELES COUNTY WEST VECTOR CONTROL DISTRICT
BUDGETARY COMPARISON STATEMENT
GENERAL FUND
YEAR ENDED JUNE 30, 2020**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 5,992,758	\$ 5,992,758	\$ 5,992,758	\$ -
Resources (Inflows):				
Property taxes	1,001,302	1,001,302	1,644,051	642,749
Benefit assessments	6,178,452	6,178,452	6,117,987	(60,465)
Interest	33,166	33,166	72,952	39,786
Miscellaneous	-	-	100,280	100,280
Amounts Available for Appropriation	13,205,678	13,205,678	13,928,028	722,350
Charges to Appropriation (Outflow):				
Salaries	4,432,132	4,432,132	3,972,377	459,755
Retirement	570,200	570,200	656,308	(86,108)
Medical	694,500	694,500	721,100	(26,600)
Clothing and household	71,400	71,400	67,610	3,790
Insurance	283,002	283,002	305,712	(22,710)
Vector ecology & laboratory	136,250	136,250	126,040	10,210
Maintenance & equipment	93,500	93,500	72,415	21,085
Maintenance of building	111,066	111,066	55,889	55,177
Membership dues	10,650	10,650	7,459	3,191
Training, meetings & conferences	39,000	39,000	27,384	11,616
Office & educational	235,000	235,000	195,127	39,873
Professional services	504,155	504,155	322,662	181,493
Insecticides & safety	530,200	530,200	510,616	19,584
Transportation	102,300	102,300	92,795	9,505
Utilities	163,750	163,750	119,196	44,554
Communications	65,000	65,000	57,045	7,955
Security system	24,000	24,000	14,131	9,869
Purchase of fixed assets	1,155,922	1,155,922	775,580	380,342
Total Charges to Appropriations	9,222,027	9,222,027	8,099,446	1,122,581
Budgetary Fund Balance, June 30	\$ 3,983,651	\$ 3,983,651	\$ 5,828,582	\$ 1,844,931

SEE NOTES to FINANCIAL STATEMENTS

LOS ANGELES COUNTY WEST VECTOR CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

Note 1: Organization and Summary of Significant Accounting Policies

a. Description of the Reporting Entity

The Los Angeles County West Vector Control District (the "District"), is organized and operated under a fund accounting concept. The records are maintained on a modified cash basis. At year-end, the records are converted to an accrual basis for statement purposes. The budget to actual comparison for revenues and expenditures is presented on the accrual basis upon which the District's budget is prepared.

The General Fund's primary source of revenue is property taxes and benefit assessments levied on real and personal property within the District and interest revenue earned on cash deposited with the County Treasurer. All operating expenses and capital improvements are paid from the General Fund.

The District has adopted a method of accounting for property tax revenue in accordance with generally accepted accounting principles which indicate that property tax revenues are recognized when they are "due, or past due and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days." The District therefore recognizes as property tax revenue all property taxes receivable for which receipt is expected within 60 days of fiscal year-end. Property taxes receivable not expected to be received within 60 days are designated as deferred revenue.

The District implemented the provisions of GASB Statement No. 34, which requires a new financial statement presentation. The details of the reporting model are stated in the following paragraphs.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the Los Angeles County West Vector Control 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. 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 or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Note 1: Organization and Summary of Significant Accounting Policies – Continued

Fund financial statements are provided for governmental and proprietary funds and are presented after the government-wide financial statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental funds. Fiduciary statements include financial information for fiduciary funds and similar component units. The Fiduciary Fund of the District primarily represents assets held by the District in a custodial capacity for other organizations.

The District has only one governmental fund and reports it as a major governmental fund as follows:

GOVERNMENTAL FUND TYPE:

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.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax receipts and fee revenue not allocated by law, Board policy or contractual agreement to other funds are accounted for in the General Fund. General Fund expenditures include operations traditionally associated with activities, which are not required to be accounted for, or paid by another fund.

Private-sector standards of accounting and financial reporting issued prior to December 1989, generally are followed in the government-wide fund financial statements to the extent that those standards do not conflict with or contradict guidance of the governmental Accounting Standards Board.

Note 1: Organization and Summary of Significant Accounting Policies - Continued

d. Assets, Liabilities and Net Assets or Equity

Cash and Investments

All cash and investments of the District are invested by the County Treasurer and the State Local Agency Investment Fund. The District also maintains accounts with a local bank. Investments are reported at fair value.

Receivables and Payables

All trade and property tax receivable are shown net of allowance for uncollectible.

Under California Law, property taxes are assessed and collected by the counties up to 1% of assessed value, plus other increases approved by voters. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. The property taxes go into a pool and are allocated to the cities and special districts based on a complex formula. Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means then due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The Los Angeles County West Vector Control District accrues revenue only for those taxes, which are received within 60 days after year-end.

Under the provisions of Proposition 1A, eight percent of the District's property tax revenues for the fiscal year ended June 30, 2020 were shifted to the State of California. The State is required to repay these monies within three years with interest.

Prepaid Costs

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. It is the District's policy to report the fund balances in the governmental fund types as no spendable for amounts equal to the prepaid items in the fund-level statements, since these amounts are not available for appropriation. At year end, the District did not have any prepaid costs.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$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.

**Los Angeles County West Vector Control District
Notes to Financial Statements (Continued)**

Note 1: Organization and 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 of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Structure and improvements	60
Computer equipment	5
Automotive equipment	5
Furniture, fixture and other equipment	5

Compensated Absences

The District's policy permits employees to accumulate earned but unused vacation and sick pay benefits. The total amounts of liability for unused vacation and sick pay benefits are accrued when incurred in the government-wide financial statements. The District utilizes its General Fund in the governmental fund financial statements to account for this liability. The liability is determined to be the amount due to employees for future absences, which is attributable to services already rendered, and which is expected to be paid during the next fiscal year. Vacation pay is payable to employees at the time a vacation is taken or upon termination of employment. Normally, an employee cannot accrue more than one and one-half times his regular annual entitlement.

Sick leave is payable when an employee is unable to work because of illness. Sick leave may be accumulated indefinitely.

Upon service retirement of an employee, the option exists to sell back up to one-half of total accumulated sick. All unused sick leave is forfeited upon termination, other than for normal retirement.

Property Assessments

The District, as authorized by Health and Safety Code Section 2291.2, levies an assessment on real property within the District. The assessment, as approved by the Board of Trustees, is levied to each assessable parcel in the District, based upon land use and size and is intended to completely cover the cost of providing mosquito abatement and vector control services within the District.

The assessment is collected by the Los Angeles County Tax Collector on or before the first business day of September of each year. They become a lien on real property on March 1 preceding the fiscal year for which the taxes are levied. These

Note 1: Organization and Summary of Significant Accounting Policies - Continued

tax payments can be made in two installments; the first is due November 1 and delinquent with penalties after December 10; the second is due February 1 and delinquent with penalties after April 10.

If delinquent taxes are not paid within five years, the property may be sold at public auction. The proceeds are used to pay delinquent amounts due, and any excess, if claimed, is returned to the taxpayer. The amount of assessments due to the District which are uncollectible is negligible and, accordingly, no provision for uncollectible amounts has been recorded.

Property assessments are recognized in the fiscal year for which the assessments have been levied providing they become available. Available means then due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District accrues revenue only for those assessments, which are received within 60 days after year-end.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles required 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 expenses, during the reporting period. Actual results could differ from those estimates.

e. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between fund balance - governmental funds and net assets of governmental activities as reported in the government-wide statement of net position.

A reconciliation of governmental fund balances to net position is as follows:

Los Angeles County West Vector Control District
Notes to Financial Statements (Continued)

Note 1: Organization and Summary of Significant Accounting Policies - Continued

Governmental Funds - Ending Fund Balances	<u>\$5,828,582</u>
<u>Capital Assets:</u>	
Capital Assets, Not Being Depreciated	9,119,894
Capital Assets, Being Depreciated	9,464,481
Accumulated Depreciation	<u>(4,464,765)</u>
	<u>14,119,610</u>
<u>Deferred Inflows and Outflows:</u>	
Deferred revenue recognized as current revenue, since revenue recognition is not based upon availability criteria	296,651
Deferred pension Inflows	(147,340)
Deferred pension Outflows	433,995
Deferred postemployment Inflows	<u>(474,701)</u>
	<u>108,605</u>
<u>Other Adjustments - Not payable in current year:</u>	
Net pension Liability	(3,242,237)
Compensated absences	(542,999)
Post retirement health benefits	<u>674,873</u>
	<u>(3,110,363)</u>
Net adjustment to increase fund balances of governmental funds to arrive at Statement of Net Assets	<u>11,117,852</u>
Government-Wide Statement of Net Position - Total Net Assets	<u><u>\$16,946,434</u></u>

Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures and changes in fund balances includes reconciliation between net changes in fund balances - of total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The reconciliation of the changes in fund balance with the changes in net position is as follows:

**Los Angeles County West Vector Control District
Notes to Financial Statements (Continued)**

Note 1: Organization and Summary of Significant Accounting Policies - Continued

Governmental Funds - Changes in Fund Balance	<u>\$ (164,176)</u>
Capital outlay which is capitalized rather than expensed	775,580
Depreciation expense	(236,752)
Increase in liabilities from CalPERS Pension Fund	(488,030)
Compensated absences reported in the Statement of Activities and not requiring additional expenditures in the Governmental funds	(74,797)
Deferred tax revenue recognized as current revenue because revenue recognition is not based on availability criteria	44,774
Postretirement health care benefits	<u>(178,915)</u>
Statement of Activity - Changes in Net Position	<u><u>\$ (322,316)</u></u>

f. New Accounting Pronouncements

The following GASB Statement has been issued but is not yet effective for the year ended June 30, 2020. The District is assessing what financial statements impact if any, this Statement will have:

- GASB Statement No. 87, *Leases*, effective for the fiscal year ending June 30, 2022.

Note 2: Stewardship, Compliance and Accountability

a. General Budget Policies

The Board of Trustee's approves each year's preliminary budget submitted by the District prior to the beginning of the new fiscal year. The Board conducts public hearings prior to adoption of the final budget on or before October 1 of each year. The Board, where required during the period, also approves supplemental appropriations. In most cases, expenditures may not exceed appropriations at the department level. All operating budget appropriations lapse at the end of the fiscal year.

b. Budget Basis of Accounting

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**Los Angeles County West Vector Control District
Notes to Financial Statements (Continued)**

Note 3: Cash and Investments

As of June 30, 2020, cash and investments were reported in the accompanying financial statements as follows:

Cash on deposit with County Treasurer	\$ 4,943,490
Cash in bank	432,321
Cash on deposit with Local Agency Investment Fund	312,270
Total	<u>\$ 5,688,081</u>

The District maintains a cash and investment pool that is available for use in the general fund. The District has adopted an investment policy that authorizes it to invest with the County Treasurer, a bank, or the Local Agency Investment Fund.
Deposits

At June 30, 2020, the carrying amount of the District's deposits with banks was \$432,321 and the bank balances were \$432,321.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure an entity's deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC. The collateral for deposits in federal and state chartered banks is held in safekeeping by an authorized Agent of Depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an Agent of Depository. These securities are physically held in an undivided pool for all California public District depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an "Agent of Depository" has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California Agents of Depository are considered to be held for, and in the name of, the local governmental agency.

Cash on deposit with County Treasurer and LAIF

Cash on deposit with County Treasurer and the Local agency Investment Fund cannot be assigned a credit risk category because the District does not own specific securities. However, the County Treasurer's and the State's investment policies and practices with regard to the credit and market risks have been determined acceptable to the District's investment policies.

	Fair Value
Cash on deposit with County Treasurer	<u>\$4,943,490</u>
Cash on deposit with Local Agency Investment Fund	<u>\$ 312,270</u>

**Los Angeles County West Vector Control District
Notes to Financial Statements (Continued)**

Note 3: Cash and Investments - Continued

GASB Statement No. 31

The District adopted GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. GASB Statement No. 31 establishes fair value standards for investments and accordingly, the District reports its investments at fair value in the balance sheet. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

As of June 30, 2020, the District's deposits were exposed to custodial credit risk to the amount of \$82,073.

Concentration of Credit Risk

The District's investment policy does not impose restrictions for certain types of investments with any one issuer, however GASB Statement No. 40 requires a separate disclosure if any single issuer comprises more than 5% of the total investment value. As of June 30, 2020, all the District's deposits were with the Bank of America, the County of Los Angeles, and the Local Agency Investment Fund of California.

Interest Rate Risk

At June 30, 2020 the District's funds were invested in accounts held by the investment institutions at various interest rates. There are no investments with a maturity date exceeding than one year thereby minimizing the risk of lower interest rates.

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

**Los Angeles County West Vector Control District
Notes to Financial Statements (Continued)**

Note 4: Capital Assets - Continued

	Beginning Balance	Increases	Decreases	Transfer	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land and Land Development	\$ 8,993,149	\$ 646,743	\$ -	\$(520,000)	\$ 9,119,892
Total Capital Assets, Not Being Depreciated	<u>8,993,149</u>	<u>646,743</u>	<u>-</u>	<u>(520,000)</u>	<u>9,119,892</u>
Capital assets, being depreciated:					
Building and Improvements	6,568,342	2,960	-	520,000	7,091,302
Vehicles	1,011,533	58,591	-	-	1,070,124
Furniture, fixtures, & equipment	1,235,772	67,284	-	-	1,303,056
Total Capital Assets, Being Depreciated	<u>8,815,647</u>	<u>128,835</u>	<u>-</u>	<u>520,000</u>	<u>9,464,482</u>
Less accumulated depreciation:					
Building and Improvements	(2,188,667)	(157,243)	-	-	(2,345,910)
Vehicles	(1,002,960)	(10,307)	-	-	(1,013,267)
Furniture, fixtures & equipment	(1,036,385)	(69,202)	-	-	(1,105,587)
Total Accumulated Depreciation	<u>(4,228,012)</u>	<u>(236,752)</u>	<u>-</u>	<u>-</u>	<u>(4,464,764)</u>
Total Capital Assets, Being Depreciated, Net	<u>4,587,635</u>	<u>(107,917)</u>	<u>-</u>	<u>520,000</u>	<u>4,999,718</u>
Governmental Activities Capital Assets, Net	<u>\$ 13,580,784</u>	<u>\$ 538,826</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,119,610</u>

Note 5: Pension Plan Obligations

The District contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within the State of California.

All full-time District employees participate in CalPERS. Benefits vest after five years of service. District employees who retire at or after the age of sixty with five years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to two percent per year of employment, of their average salary during their last 36 months of employment. The District, through CalPERS, also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute and action of the District's Board of Trustees.

District employees are required to contribute seven percent of their annual salary to CalPERS. The District's Board of Trustees adopted a Board Resolution which sets forth the District's position on employee contributions to the Plan. The resolution allows for the District to make the contribution on behalf of its employee. The District is required to contribute the remaining amounts necessary to fund the benefits for its members using the actuarial basis adopted by the CalPERS Board of Administration.

Note 5: Pension Plan Obligations – Continued

General Information about the Pension Plan

Plan description - The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the California Public Employees' Retirement System (CalPERS).

Benefits provided – Eligible employees are provided a "2% at 60" retirement benefit formula. The monthly retirement allowance is determined by age at retirement, years of service credit, and final compensation. The basic benefit is 2% of final compensation for each year of credited service upon retirement at age 60. If retirement is earlier than age 60, the percentage of final compensation decreases for each quarter year of attained age. If the retirement is deferred beyond age 60, the percentage of final compensation increases for each quarter year to age 63.

Contributions – Section 20814(c) of the California Public Employees' Retirement Law 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 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. For the year ended June 30, 2020, the active employee contribution rate for employees with a start date before January 1, 2013 is 7.00% of annual pay, and the employer's contribution rate is 8.563% of annual payroll. For the year ended June 30, 2020, the active employee contribution rate for employees with a start date after January 1, 2013 is 6.75% of annual pay, and the employer's contribution rate is 6.985% of annual payroll. Employer contribution rates may change if plan contracts are amended.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the District reported a pension liability of \$3,242,237 for its proportionate share of the net pension liability. The net pension 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 as of that date. 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 plan relative to the projected contributions of all participating special districts, actuarially determined.

For the year ended June 30, 2020, the District recognized net pension expense of \$1,144,338 At June 30, 2020; the District reported deferred outflows of resources of \$433,995 and deferred inflow of resources of \$147,340.

Actuarial assumptions – For the period ended June 30, 2020, the total pension liability was determined by rolling forward the June 30, 2019 total pension liability. Both the June 30, 2020 and 2019 total pension liabilities were based on the following actuarial methods and assumptions:

**Los Angeles County West Vector Control District
Notes to Financial Statements (Continued)**

Note 5: Pension Plan Obligations – Continued

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal in accordance with the GASB 68
Actuarial Assumptions	
Inflation	2.75%
Salary Increases	Varies by Entry Age and Service
Investment Rate of Return	7.50% net of investment and administrative expenses, Includes inflation
Mortality Rate Table	Derived using CalPERS Membership Data
Payroll Growth Rate	3.00%
Retirement Age	Based on CalPERS membership data

Note 6: Postemployment Healthcare Benefits

Plan Description

The District provides other postemployment benefits (OPEB) through the Public Employees' Medical and Hospital Care Act (PEMHCA), an agent multiple-employer defined benefit health-care plan administered by the California Public Employees Retirement System (PERS). The plan provides lifetime healthcare insurance for eligible retirees. The plan does not issue a publicly available financial report.

During the year, the District implemented Governmental Accounting Standards Board pronouncement 75 (GASB 75) which requires the recording of the total actuarially determined liability of future postemployment benefits instead of the actuarial liability of the required annual payments that GASB 45 previously required. A prior period adjustment was made to record the effects on prior years. GASB 75 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	June 30, 2019
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

Funding Policy

The District has opened a nonrefundable trust account with CalPERS, California Employers Retiree Benefit Trust Fund (CERBT), and has made contributions to this account to pre-fund these benefits. This fund covers the OPEB benefits for all full-time, vested District employees.

Employees Covered

As of the June 30, 2019 actuarial valuation, the following current and former employees were covered by the benefit terms under the plan:

Participating Active Employees	40
Inactive Employees Receiving Benefits	11
Inactive Employees Entitled to But Not Receiving Benefits	0

**Los Angeles County West Vector Control District
Notes to Financial Statements (Continued)**

Note 6: Postemployment Healthcare Benefits - Continued

Actuarial Assumptions

The following assumptions were used in the June 30, 2019 valuation.

Investment Return /Discount Rate	7.00%
Inflation	2.75%
Payroll Increases	2.75% per year
Trend	4.00% per year

OPEB Expense

OPEB Expense (Income) for the year ended June 30, 2020:

Service Cost	\$ 100,997
Interest on Total OPEB Liability	201,812
Recognized Experience Gains/Losses	(36,110)
Expected Investment Income	(218,677)
Recognized Investment Gains/Losses	(2,378)
Administrative Expense	682
	<u>682</u>
OPEB Expense	<u>\$ 46,326</u>

Changes in OPEB Liability

Because San Gabriel Valley Mosquito and Vector Control District concluded that it would be too expensive and time-consuming to rerun prior valuations under GASB 75, the District used Paragraph 244 of GASB 75 for the transition. Consequently, in order to determine the beginning Net OPEB Liability (NOL), the District used a "roll-back" technique. The following table shows the results of the roll-back.

Changes in Net OPEB Liability as of June 30, 2019

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2018	<u>\$ 2,884,783</u>	<u>\$ 3,174,437</u>	<u>\$(289,654)</u>
Service Cost	100,997	-	100,997
Interest on TOL	201,812	-	201,812
Employer Contributions	-	-	-
Employee Contributions	-	-	-
Expected Investment Income	-	218,677	(218,677)
Administrative Expense	-	(682)	682
Actual Benefit Payments from Trust	(100,265)	(100,265)	-
Expected Minus Actual Benefit Payments	(4,237)	-	(4,237)
Experience (Gains)/Losses	(487,647)	-	(487,647)
Investment Gains/(Losses)	-	(21,851)	21,851
Net Change	<u>(289,340)</u>	<u>95,879</u>	<u>(385,219)</u>
Balance at June 30, 2019	<u>\$ 2,595,443</u>	<u>\$ 3,270,316</u>	<u>\$(674,873)</u>

**Los Angeles County West Vector Control District
Notes to Financial Statements (Continued)**

Note 6: Postemployment Healthcare Benefits - Continued

Deferred Inflows and Outflows

For the year ended June 30, 2020, the District recognized an expense of \$178,915 related to its OPEB obligation. The District also recognized \$474,701 of deferred inflows as follows:

<u>Deferred Inflows</u>	
Experience gains	\$471,936
Investment gains	<u>2,765</u>
	<u>\$474,701</u>

At June 30, 2020, the District reported \$474,701 in deferred Inflows for Contributions made after the measurement date. Amortization of the remaining \$474,701 of deferred Inflows related to OPEB obligation is as follows:

<u>Amortization Period</u> <u>Fiscal Year Ending June 30</u>	<u>Deferred</u> <u>Inflows</u>
2020	\$ 38,875
2021	36,110
2022	36,110
2023	36,110
2024	43,452
Thereafter	<u>284,044</u>
Total	<u><u>\$474,701</u></u>

Note 7: Fund Equity

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

No spendable includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

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

Assigned includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Trustees is authorized to assign amounts to a specific purpose.

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

**Los Angeles County West Vector Control District
Notes to Financial Statements (Continued)**

Note 7: Fund Equity - Continued

An individual governmental fund could include No spendable resources and amounts that are restricted or unrestricted (committed, assigned or unassigned) or any combination of those classifications. Restricted or unrestricted amounts are considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, and amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Note 8: Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District, as a member of the Vector Control Joint Powers Authority (VCJPA) participates in self-insured pools to manage the potential liabilities that may occur from the previously named sources. The VCJPA is a consortium of 35 mosquito abatement and/or vector control districts in the State of California. The VCJPA's purpose is to arrange and administer programs of self-insured losses and to purchase excess or group insurance coverage. The day-to-day business is handled by a risk management group contracted by the VCJPA. The District participates in the liability and property programs of the VCJPA as follows:

- General and auto liability, public officials and employees' errors and omissions
- Workers' compensation
- Property damage
- Auto physical damage
- Business travel (optional insurance policy)
- Group fidelity (optional insurance policy)

The District is covered for the first \$1,000,000 of each general liability claim and \$500,000 of each workers compensation claim through the VCJPA. The District has the right to receive dividends, if declared by the Board of Directors for a program year in which the District participated, and the obligation to pay assessments based on a formula which, among other expenses, charges the District's account for liability losses under \$10,000 and worker's compensation losses under \$25,000. The VCJPA participates in an excess pool which provides general liability coverage from \$1,000,000 to \$29,000,000 and in an excess pool which provides worker's compensation coverage over \$500,000 to \$5,000,000 and purchases excess insurance above \$5,000,000 up to the statutory limit. The VCJPA can be contacted directly for additional financial information.

Settled claims have not exceeded any of the coverage amounts in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the year ended June 30, 2020. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). There were no IBNR claims payables as of June 30, 2020.

Note 9: COVID-19 Pandemic

The spread of the novel strain of coronavirus and the disease it causes (now known as "COVID-19") is having significant negative impacts throughout the world, including in Southern California. The World Health Organization declared the COVID-19 outbreak to be

**Los Angeles County West Vector Control District
Notes to Financial Statements (Continued)**

Note 9: COVID-19 Pandemic - Continued

a pandemic, and states of emergency were declared by the United States, the State of California, and numerous counties through the State, including Los Angeles County of which, comprises the service area of the District.

The District is assessing the effects the ongoing COVID-19 outbreak will have on the District and its business and operations. The degree of impact to the District's finances and operations is difficult to predict due to the evolving nature of the COVID-19 pandemic, including uncertainties relating to (i) the ultimate extent of the geographic spread of the virus; (ii) the duration and severity of the outbreak; (iii) the extent of the disruption to or decline in the local and global economies and financial markets; (iv) the degree to which business closures, increased unemployment, housing foreclosures and or other economic consequences may negatively affect future property values in the District's service area and or the District's property tax levy receipts , and reduce the District's revenues; (v) the extent to which a protracted disruption in the manufacturing or construction industry may affect supply chains or further delay construction schedules for, or the implementation of, the District's capital improvement programs; and (vi) what additional actions may be taken or required by governmental authorities to contain and respond to the outbreak and what costs or impacts of such actions may be. The restrictions and limitations instituted related to COVID-19 will likely remain in place for some period and may increase, that the ongoing economic downturn may continue for many months and an economic recession has been projected as likely to occur, and that the recovery may be prolonged. As a result, the District's finances and operations may be adversely impacted by COVID-19.