

COACHELLA VALLEY MOSQUITO & VECTOR CONTROL DISTRICT BOARD OF TRUSTEES POLICY			
SUBJECT FUND BALANCE POLICY	Policy Number	Date Adopted	Date Revised
	02.12	11/10/09	09/28/11

POLICY STATEMENT:

It is the Coachella Valley Mosquito and Vector Control District’s (“District”) policy to maintain an adequate fund balance for public health emergency, contingencies, operating cash flow, future liabilities, replacement of equipment and plant, and for future construction. The Fund Balance Policy follows the guidelines set in the Governmental Accounting Standards Board (“GASB”) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

FUND BALANCE CLASSIFICATIONS:

GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB 54 provides for classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

- **RESTRICTED FUND BALANCE:**

GASB 54 states that the restricted fund balance category includes amounts that can only be spent for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

- **COMMITTED FUND BALANCE:**

GASB 54 states that the committed fund balance classification includes amounts that can only be used for the specific purposes determined by a formal action of the government’s highest level of decision-making authority

- **ASSIGNED FUND BALANCE:**

GASB 54 states that the amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.

- **UNASSIGNED FUND BALANCE:**

GASB 54 states that the unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

FUND STRUCTURE:

The fund structure includes the General Fund, Thermal Capital Fund and the Internal Service Fund.

- **GENERAL FUND:**

The General Fund is the primary operating fund of the District. It accounts for all activities of the District, except those required to be accounted for in another fund.

- **THERMAL - CAPITAL PROJECTS FUND:**

This capital project fund accounts for the ongoing improvements at the District's Thermal facility.

- **CAPITAL REPLACEMENT – INTERNAL SERVICE FUND:**

This fund accounts for the financing of goods or services provided by one department to other departments of the District, on a cost reimbursement basis. The internal service fund maintains a fund balance for replacing District vehicles, large equipment and Information Technology ("IT") equipment.

GENERAL FUND

1. COMMITTED RESERVES (FUND BALANCE)

a) **RESTRICTED RESERVE FOR PUBLIC HEALTH EMERGENCY (GENERAL FUND)**

California Health and Safety Code Section 2070 provides that the Board of Trustees can divide the annual budget into categories including a restricted reserve for public health emergencies. The Restricted Reserve for Public Health Emergency may only be spent to respond to public health emergencies. Public Health Emergencies are defined in the CVMVCD Risk Assessment Plan that was adopted by the Board of Trustees at the April 13, 2010, Board of Trustees Meeting. The Risk Assessment Plan includes necessary actions in situations of Emergency Response Planning and Epidemic Response Planning, summarized below, and they will be paid for from the Restricted Reserve for Public Health Emergency.

Emergency Response Planning includes the following actions:

- Securing the necessary labor needed for additional mosquito surveillance/trapping for 3 months.
- Broadening geographic coverage of mosquito testing samples testing.
- Increasing the number of mosquito samples tested for no less than 35% from 1500 planned for normal season.
- Increasing frequency and geographic coverage of mosquito larvae surveillance
- Increasing frequency and geographic coverage of mosquito larvae control measures.
- Hiring ten (10) additional seasonal staff for 3 months.
- Securing additional products for aerial and ground larvae mosquito control for no less than 3 months.
- Securing additional products for aerial and ground adult mosquito control for no less than 3 months
- Contracting for aviation service on a “stand-by” basis

Epidemic Response Planning includes the following actions:

- In addition to listed actions above, *Epidemic Response Planning* includes a contract with aviation companies that use twin turbine aircraft available for routine spray operations in a case of Public Health Emergencies response over the populated areas.
- The contract includes:
 1. The cost of a control product per acre
 2. The cost of application per acre
 3. A minimum of 130,000 acres,
 4. A minimum of three flights, not to exceed 10 flights

The recommended minimum funding amount for the Restricted Reserve for Public Health Emergency is 33% of the District’s operating revenue. The funding is based on the minimum cost to implement requirements stated in the Coachella Valley Mosquito-borne Virus Surveillance and Response Plan.

2. ASSIGNED RESERVES (FUND BALANCE)

a) RESERVE FOR OTHER POST EMPLOYMENT BENEFITS (GENERAL FUND)

Reserve for Other Post Employment Benefits - Government Accounting Standards Board Statement 45 (“GASB 45”) Other Post Employment Benefits (“OPEB”) states that government agencies which offer post employment benefits, *other* than pensions, must have an actuarial valuation performed to determine that liability. The OPEB which the District provides are retiree medical health benefits to eligible

retirees through the California Public Employees' Retirement System ("CalPERS") Health Program under the Public Employees Medical and Hospital Care Act ("PEMHCA"). To be eligible for retiree medical benefits, an employee must retire under CalPERS and enroll in medical benefits through the CalPERS Health Program. GASB 45 requires the OPEB liability to be reported in the government's financial statements and recommends government employers pre-fund the liability associated with these costs. The District's Actuarial Accrued Liability ("AAL") using the CalPERS California Employers' Retiree Benefit Trust ("CERBT") assumption discount rate of 7.61% is \$1,975,304. The same liability using an assumption discount rate of 5% is \$3,382,672. District policy is to fully prefund the OPEB liability by meeting the Annual Required Contribution ("ARC") \$298,107 (7.61%). The Reserve for OPEB will maintain a balance to cover the Unfunded Actuarial Accrued Liability ("UAAL"), which is \$1,975,304 as of 6/30/2011. Actuarial valuation every two years and funding of the ARC will change this number.

b) RESERVE FOR OPERATIONS (GENERAL FUND)

The District shall maintain a minimum Reserve for Operations equal to 60% (6 months) of discretionary General Fund revenues. These funds are set-aside because the District receives the majority of its funding from the property taxes and benefit assessment collected by the County of Riverside. These funds are not transmitted to the District until January, six months into the fiscal year. This is a six month delay in receiving revenue from the beginning of the fiscal year. Therefore, it is imperative that the District has an operating fund to fulfill its general operating costs. Mosquito season in the Coachella Valley lasts through the whole year. The delay in receiving funding and not having reserves could inhibit the District's ability in providing services for the benefit of public health. The recommended maximum level for Reserve for Operations is equal to 75% (9 months) of the Operating Revenue.

c) RESERVE FOR REPLACEMENTS/EMERGENCY RECONSTRUCTION (GENERAL FUND)

The District will maintain a "Reserve for Replacements" for replacing District buildings and furnishings, and will also serve as an assigned fund balance category for reconstruction of District buildings in the case of earthquakes or other natural disasters. The recommended maximum funding for this reserve item is an amount equal to the accumulated amount of depreciation for that particular capital item.

d) RESERVE FOR FUTURE CONSTRUCTION (GENERAL FUND)

The Reserve for Future Construction is an assigned fund balance category for construction projects that have been identified in the District Capital Improvement Plan, but have only reached the planning stage. These projects are not yet approved

by the Board of Trustees, but will be identified and singularly approved during the budgeting process and brought before the Board in a Public Meeting.

THERMAL - CAPITAL PROJECTS FUND

1. ASSIGNED RESERVES (FUND BALANCE)

a) THERMAL REMEDIATION ASSIGNED FUND BALANCE (THERMAL REMEDIATION FUND)

The District has an obligation to maintain the District's Thermal facility. In FY2008-2009, the District hired an engineering firm to design a remedial action plan, which included the capping of an area that was contaminated with DDT. The capping was completed in Spring 2009. Part of the remedial action plan is to repair or repave the whole area of the capping every ten years. Estimated cost is \$450,000; this liability is estimated to be \$605,000 based on annual CPI of 3%. The Thermal Remediation Committed Fund Balance will not exceed the estimated liability of \$605,000. The recommended fund balance will be no less than annual required funding to cover this liability. Funding this liability includes rental income, \$32,000 annual fund transfer from Operating Budget, and transfer from General Fund to cover the outstanding annual required funding.

CAPITAL REPLACEMENT – INTERNAL SERVICE FUND:

1. ASSIGNED RESERVES (FUND BALANCE)

a) RESERVE FOR VEHICLE AND LARGE EQUIPMENT REPLACEMENTS (CAPITAL EQUIPMENT REPLACEMENT FUND)

The District will maintain a "Reserve for Replacements" for replacing District vehicles and large equipment. The District shall maintain in each Reserve for Replacements a minimum amount equal to the accumulated amount of depreciation for that particular capital item. The funds in this reserve will be used for the replacement of the District's large equipment and vehicles. The recommended maximum funding for this reserve item is the amount equal to the original purchase cost plus CPI.

b) RESERVE FOR IT EQUIPMENT REPLACEMENTS (CAPITAL EQUIPMENT REPLACEMENT FUND)

The District will maintain a "Reserve for Replacements" for replacing District IT Equipment. The District shall endeavor to maintain in each Reserve for Replacements a minimum amount equal to the accumulated amount of depreciation for that particular capital item. The funds in this reserve will be used for the replacement of IT and GIS capital items. The recommended maximum funding for this reserve item is the amount equal to the original purchase cost plus CPI.