

ALAMEDA COUNTY MOSQUITO ABATEMENT DISTRICT

HAYWARD, CALIFORNIA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Alameda County Mosquito Abatement District
Hayward, California

We have audited the accompanying basic financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Alameda County Mosquito Abatement District as of June 30, 2011, and for the fiscal year then ended, as listed in the table of contents. These basic financial statements are the responsibility of Alameda County Mosquito Abatement District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund, and the aggregate remaining fund information of Alameda County Mosquito Abatement District as of June 30, 2011, and the respective changes in financial position for the fiscal year then ended in conformity with U.S. generally accepted accounting principles, as well as accounting systems prescribed by the State Controller's office and state regulations governing special districts.

Management's Discussion and Analysis (pages 2-6) and the Required Supplementary Information (page 27) listed in the table of contents, is supplementary information required by the Governmental Accounting Standards Board, but is not part of the basic financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As described further in Note 2F to the financial statements, the accompanying financial statements reflect certain changes in the reporting of fund types and fund balance classifications for governmental funds due to the implementation of Governmental Accounting Standards Board Statement No. 54.

R. J. Ricciardi, Inc.

R. J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
February 3, 2012

Alameda County Mosquito Abatement District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011
(Unaudited)

This section of Alameda County Mosquito Abatement District's (the District's) basic financial statements presents management's overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2011. We encourage the reader to consider the information presented here in conjunction with the District's basic financial statements, including notes and supplementary information that immediately follow this section, as a whole.

Introduction to the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's audited financial statements, which are comprised of the basic financial statements. This annual report is prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for States and Local Governments*. The Single Governmental Program for Special Purpose Governments reporting model is used which best represents the activities of the District.

The required financial statements include the Government-wide and Fund Financial Statements; Statement of Net Assets and Governmental Fund Balance Sheet; Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances; and the Statement of Revenues, Expenditures and Changes in Fund Balances—Budget and Actual—All Governmental Fund Types.

These statements are supported by notes to the basic financial statements. All sections must be considered together to obtain a complete understanding of the financial picture of the District.

The Basic Financial Statements

The Basic Financial Statements comprise the Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the District's financial activities and financial position.

The Government-wide Financial Statements provide a longer-term view of the District's activities as a whole, and comprise the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of the District as a whole, including all of its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all of the District's revenues and all of its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of the District's programs. The Statement of Activities explains in detail the change in Net Assets for the year.

All of the District's activities are grouped into Government Activities, as explained below.

The Fund Financial Statements report the District's operations in more detail than the Government-wide statements and focus primarily on the short-term activities of the District's General Fund and other Major Funds. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for the major financial activities of the District and are presented individually. Major Funds are explained below.

Alameda County Mosquito Abatement District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011
(Unaudited)

The Government-wide Financial Statements

Government-wide Financial Statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the District as a whole.

The Statement of Net Assets and the Statement of Activities present information about the following:

Governmental Activities – The District's basic services are considered to be governmental activities. These services are supported by general District revenues such as taxes, and by specific program revenues such as user fees and charges.

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the District's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually; the District has no Non-major Funds. Major Funds present the major activities of the District for the year, and may change from year-to-year as a result of changes in the pattern of the District's activities.

In the District's case, the General Fund is the only Major Governmental Fund.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Comparisons of Budget and Actual financial information are presented for the General Fund.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

Analyses of Major Funds

Governmental Funds

General Fund revenues decreased by \$47,496 this fiscal year due primarily to the decrease in property taxes. Actual revenues were in line with the budget amount (actual \$3,463,938 vs. budget \$3,453,990).

General Fund expenditures were \$4,010,345, an increase of \$1,467,702 from the prior year mainly due to the contribution to the OPEB Trust Fund. Expenditures were greater than budgeted by \$1,118,268.

Alameda County Mosquito Abatement District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended June 30, 2011
 (Unaudited)

Governmental Activities

Table 1
Governmental Net Assets

	Governmental Activities	
	2011	2010
<u>Assets</u>		
Current and other assets	\$ 2,961,263	\$ 3,497,509
Capital assets	2,890,813	2,965,483
Total assets	5,852,076	6,462,992
<u>Liabilities</u>		
Current liabilities	131,863	121,702
Other liabilities	-	318,599
Total liabilities	131,863	440,301
<u>Net Assets</u>		
Invested in capital assets, net of debt	2,829,407	2,856,758
Unrestricted	2,890,806	3,165,933
Total net assets	\$ 5,720,213	\$ 6,022,691

The District's governmental net assets amounted to \$5,720,213 as of June 30, 2011, a decrease of \$302,480 from 2010. The decrease is the Change in Net Assets reflected in the Governmental Activities column of the Statement of Activities shown in Table 2. The District's net assets as of June 30, 2011 comprised the following:

- Cash and investments of \$2,834,192.
- Accounts receivable of \$127,071.
- Capital assets of \$2,829,407 net of depreciation charges, which includes all the District's capital assets used in governmental activities.
- Liabilities, including accounts payable and other liabilities, totaling \$131,863.
- Net assets invested in capital assets, net of related debt, of \$2,829,407, representing the District's investment in capital assets used in Governmental Activities, net of amounts borrowed to finance that investment.
- Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants or other legal requirements or restrictions. The District had \$2,890,806 of unrestricted net assets as of June 30, 2011.

The Statement of Activities presents program revenues and expenses and general revenues in detail. All of these are elements in the Changes in Governmental Net Assets summarized in the following table.

Alameda County Mosquito Abatement District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended June 30, 2011
 (Unaudited)

Table 2
Changes in Governmental Net Assets

	Governmental Activities	
	2011	2010
<u>Expenses</u>		
Mosquito Abatement	\$ 3,766,418	\$ 2,658,505
Interest on long-term debt	-	8,632
Total expenses	3,766,418	2,667,137
 <u>General revenues</u>		
Property taxes	1,556,812	1,594,293
Special assessments	1,884,298	1,867,171
Miscellaneous	8,210	5,200
Interest and investment earnings	14,618	44,770
Total revenues	3,463,938	3,511,434
Change in net assets	\$ (302,480)	\$ 844,297

As Table 2 above shows, all of the District's fiscal year 2011 governmental revenue of \$3,463,938 came from general revenues such as taxes and interest.

General revenues are not allocable to programs. General revenues are used to pay for the net cost of governmental programs.

Capital Assets

Detail on capital assets, current year additions and construction in progress can be found in Note 4.

Debt Administration

In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. In the Fund Financial Statements, the face amount of the debt issued, premiums, or discounts are reported as other financing sources/uses. The original amount of debt was \$1,000,000. The balance of the District's long-term debt as of June 30, 2011 was \$0. Additionally, the District carries a defined benefit post-employment healthcare plan.

Economic Outlook and Major Initiatives

The District's financial position continues to be more than adequate. Financial planning is based on specific assumptions from recent trends in property values, State of California economic forecasts and historical growth patterns in the various communities served by the District.

As noted above under Debt Administration, the District has now paid off the 5 year \$1,000,000 loan to remodel the Administration building and Laboratory and will have additional funds available for future needs. The OPEB Trust has been completed. The District plans to fund the trust at a rate of \$500,000 per fiscal year until the actuary determines that it is adequate to fund future OPEB liability. This should be accomplished in about five years.

Alameda County Mosquito Abatement District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011
(Unaudited)

The District continues to face increases in salaries, benefits, fuel, pesticides and insurance. There are also calls for changes in property tax allocation from State control to more local control and talk of initiatives to eliminate *ad valorem* property tax funds from special district revenues. The District should have the necessary revenue stream available from the Special Tax passed in 1982 and the Benefit Assessment in 2008 to continue to provide mosquito control to the citizens of Alameda County. The Local Agency Formation Commission (LAFCO) will be conducting another Municipal Service Review soon and the subject of providing mosquito control to the city of Albany will again be raised. Should the District add the City of Albany to its service area we would anticipate funding comparable to the Special Tax and Benefit Assessment to be approved prior to the initiation of service.

Contacting the District Financial Management

This comprehensive Annual Financial Report is intended to provide citizens, taxpayers, and creditors with a general overview of the District's finances. Questions regarding this report should be directed to: General Manager of Alameda County Mosquito Abatement District, 23187 Connecticut Street, Hayward, CA, 94545.

Alameda County Mosquito Abatement District

STATEMENT OF NET ASSETS

June 30, 2011

ASSETS

Cash and investments	\$ 2,834,192
Accounts receivable	127,071
Capital assets:	
Non-depreciable assets	61,406
Depreciable assets, net	<u>2,829,407</u>
Total assets	<u>5,852,076</u>

LIABILITIES

Accounts payable	25,403
Compensated absences	<u>106,460</u>
Total liabilities	<u>131,863</u>

NET ASSETS

Invested in capital assets, net of related debt	2,890,813
Unrestricted	<u>2,829,400</u>
Total net assets	<u>\$ 5,720,213</u>

The accompanying notes are an integral part of these financial statements

Alameda County Mosquito Abatement District
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Expenditures</u>	<u>Program Revenues</u> Charges for Services	<u>Net (Expense) Revenue and Changes in Net Assets</u> Total Governmental Activities
Governmental Activities:			
Mosquito Abatement	\$ 3,766,418	\$ -	\$ (3,766,418)
Interest on long-term debt	-	-	-
Total governmental activities	\$ 3,766,418	\$ -	(3,766,418)
General revenues:			
Property Taxes			1,556,812
Special taxes and benefit assessment			1,884,298
Miscellaneous			8,210
Interest and investment earnings			14,618
Total general revenues			3,463,938
Change in net assets			(302,480)
Net assets, beginning of period			6,022,693
Net assets, end of period			\$ 5,720,213

The accompanying notes are an integral part of these financial statements

Alameda County Mosquito Abatement District
 GOVERNMENTAL FUND
BALANCE SHEET
 June 30, 2011

<u>ASSETS</u>	<u>General Fund</u>
Cash and investments available for operation	\$ 2,834,192
Accounts receivable	<u>127,071</u>
Total assets	<u>\$ 2,961,263</u>
<u>LIABILITIES</u>	
Accounts payable	\$ 25,403
Compensated absences	<u>106,460</u>
Total liabilities	<u>131,863</u>
<u>FUND BALANCES</u>	
Unassigned	2,650,810
Assigned for insurance	<u>178,590</u>
Total fund balances	<u>2,829,400</u>
Total liabilities and fund balances	<u>\$ 2,961,263</u>

The accompanying notes are an integral part of these financial statements

Alameda County Mosquito Abatement District
Reconciliation of the
GOVERNMENTAL FUND - BALANCE SHEET
with the Governmental Activities
STATEMENT OF NET ASSETS
For the Year Ended June 30, 2011

TOTAL FUND BALANCES - GOVERNMENTAL FUND \$ 2,829,400

Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Fund above because of the following:

LONG-TERM LIABILITY

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. There were no long term liabilities at year end to reconcile.

-

CAPITAL ASSETS

Capital Assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Fund. The actual or estimated historical acquisition cost of the assets is \$4,800,120 and the accumulated depreciation is \$1,909,307:

2,890,813

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 5,720,213

The accompanying notes are an integral part of these financial statements

Alameda County Mosquito Abatement District
 GOVERNMENTAL FUND
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
 For the Year Ended June 30, 2011

	General Fund
Revenues:	
Property taxes	\$ 1,556,812
Special Assessments	1,860,144
Governmental aid	24,154
Interest	14,618
Miscellaneous	8,210
Total revenues	3,463,938
Expenditures:	
Salaries and fringe benefits	3,374,696
Materials, supplies and services	464,007
Debt service	108,724
Capital outlay	62,918
Total expenditures	4,010,345
Net change in fund balances	(546,407)
Fund balances, beginning of period	3,375,807
Fund balances, end of period	\$ 2,829,400

The accompanying notes are an integral part of these financial statements

Alameda County Mosquito Abatement District
 Reconciliation of the
GOVERNMENTAL FUND - STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 with the Governmental Activities
STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2011

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND \$ (546,407)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay, \$62,918, exceeded depreciation, (\$137,589), in the current period. (74,671)

Repayments of loans are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of these repayments are treated as a reduction to liabilities.

Repayment of loan principal is added back to fund balance. 108,724

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Other post employment benefits 209,874

Changes in net assets of governmental activities \$ (302,480)

The accompanying notes are an integral part of these financial statements

Alameda County Mosquito Abatement District
 FIDUCIARY ACTIVITIES
STATEMENT OF FIDUCIARY NET ASSETS
 OTHER POSTEMPLOYMENT BENEFITS (OPEB) TRUST FUND
 June 30, 2011

	OPEB Trust Fund
<u>ASSETS</u>	
Cash and cash equivalents	\$ 5,202
Investments, at fair value:	
Equity mutual funds	854,489
Fixed income mutual funds	682,865
Total assets	1,542,556
 <u>NET ASSETS</u>	
Net assets held in trust for Other Postemployment Benefits	1,542,556
Total net assets	\$ 1,542,556

The accompanying notes are an integral part of these financial statements

Alameda County Mosquito Abatement District
OPEB TRUST FUND
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Year Ended June 30, 2011

	OPEB Trust Fund
<u>ADDITIONS</u>	
Contributions:	
Employer	\$ 1,500,432
Total contributions	1,500,432
Investment income:	
Interest and dividends	14,371
Net appreciation in fair value of investments	30,092
Total investment income	44,463
Total additions	1,544,895
 <u>DEDUCTIONS</u>	
Benefits	-
Administrative expense	2,339
Total deductions	2,339
Net change in plan assets	1,542,556
 <u>NET ASSETS HELD IN TRUST FOR OTHER POSTEMPLOYMENT BENEFITS</u>	
Beginning of period	-
End of period	\$ 1,542,556

The accompanying notes are an integral part of these financial statements

Alameda County Mosquito Abatement District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 - GENERAL

The Alameda County Mosquito Abatement District (the District) is a special district established in 1930 and empowered to take all necessary and proper steps for the control of mosquitoes within the District's service area.

The District is an independent special district within the County of Alameda (the County) and the accompanying basic financial statements are included as a component unit of the general purpose financial statements prepared by the County. The County performs certain administrative services such as maintenance of accounting records and investment of cash for the District. The District is not charged for these services.

The District evaluated whether any other entity should be included in these basic financial statements. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the ability of the governmental unit's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

Based upon the above criteria, the District determined that it had no component units as of June 30, 2011, or during the fiscal year then ended.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounts and Records

The District maintains a cash receipts journal for recording fees collected at 23187 Connecticut Street, Hayward, CA 94545. The assessment of property, collection of taxes, disbursement of cash, and the maintenance of the general ledger for all funds are provided by the County. Custodianship of the District's accounts and records is vested with the Auditor Controller of Alameda County.

B. Accounting Principles

The District accounts for its financial transactions in accordance with the policies and procedures recommended by the State of California. The accounting policies of the District conform to U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

Alameda County Mosquito Abatement District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Accounting Principles (continued)

(1) Government-wide and Fund Financial Statements:

The Government-wide Financial Statements (the Statement of Net Assets and the Statement of Activities) report on the District as a whole. The Statement of Activities demonstrates the degree to which the direct expenses of the District's functions are offset by program revenues.

Direct expenses are those that are clearly identifiable with the District's functions. *Program revenues* include charges for services, which are mainly from park and recreation fees. Other items not properly included among program revenues are reported instead as *general revenues*. The District's General Fund is presented as a separate financial statement (Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance).

(2) Measurement Focus, Basis of Accounting and Financial Statement Presentation:

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities are prepared 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 the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *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 District 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.

The District reports the following major governmental fund:

General Fund: This is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. There are no other funds of the District.

Fiduciary Fund Types

Other Post Employment Benefit Trust (the Trust) is used to report resources that are required to be held in trust to accumulate resources for post employment benefit payments to qualified employees. These funds are not incorporated into the government wide financial statements.

The Trust financial statements are prepared using the *economic resources* measurement focus and the *accrual* basis of accounting. Cost of third party administrators, actuarial reports, audits and similar costs incurred exclusively for the Trust are paid from resources from the Trust. Routine administrative costs of administrating the benefit plans, accounting services and other costs are absorbed by the District.

Benefits: Benefit expense and benefits payable are recognized when payments for benefits of members are made by the employer.

Alameda County Mosquito Abatement District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Accounting Principles (concluded)

(3) Use of Estimates:

The process of preparing the basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures/expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the basic financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

C. Budget and Budgetary Accounting

The District annually adopts a budget for its General Fund to be effective July 1 for the ensuing fiscal year. The District's Board may amend the budget by resolution during the fiscal year and approves all budgetary transfers. Expenditures exceeded appropriations by \$1,118,268.

D. Capital Assets

Capital assets are those purchased or acquired with an original cost of \$5,000 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred.

Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

<u>Class</u>	<u>Estimated Useful Life in Years</u>
Land	No Depreciation
Structures and Improvements	5 - 39
Machinery and Equipment	5 - 7

E. Compensated Absences

All vacation pay is accrued when incurred. The District's accrued vacation was \$106,460 as of June 30, 2011.

F. Fund Equity

The accompanying basic financial statements reflect certain changes that have been made with respect to the reporting of the components of fund balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance. Due to the implementation of GASB Statement No. 54, the components of the fund balances of governmental funds now reflect the component classifications described below. In the fund financial statements, governmental fund balances are reported in the following classifications:

Alameda County Mosquito Abatement District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

F. Fund Equity (concluded)

Nonspendable fund balance includes amounts that are not in a spendable form, such as prepaid items or supplies inventories, or that are legally or contractually required to remain intact, such as principal endowments.

Restricted fund balance includes amounts that are subject to externally enforceable legal restrictions imposed by outside parties (i.e., creditors, grantors, contributors) or that are imposed by law through constitutional provisions or enabling legislation.

Committed fund balance includes amounts whose use is constrained by specific limitations that the government imposes upon itself, as determined by a formal action of the highest level of decision-making authority. The Board of Directors serves as the District's highest level of decision-making authority and has the authority to establish, modify or rescind a fund balance commitment via minutes action.

Assigned fund balance includes amounts intended to be used by the District for specific purposes, subject to change, as established either directly by the Board of Directors or by management officials to whom assignment authority has been delegated by the Board of Directors.

Unassigned fund balance is the residual classification that includes spendable amounts in the General Fund that are available for any purpose.

When expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) fund balances are available, the District specifies that restricted revenues will be applied first. When expenditures are incurred for purposes for which committed, assigned or unassigned fund balances are available, the District's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

G. Net Assets

GASB Statement No. 34 added the concept of Net Assets. The Statement of Net Assets reports the difference between the District's total assets and the District's total liabilities, including all the District's long-term assets and debt. The Statement of Net Assets presents similar information to the old balance sheet format, but presents it in a way that focuses the reader on the composition of the District's net assets, by subtracting total liabilities from total assets.

The Statement of Net Assets breaks out net assets as follows:

Restricted describes the portion of net assets that is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions that the District cannot unilaterally alter.

Unrestricted describes the portion of net assets that is not restricted from use.

Invested in Capital, net of related debt, describes the portion of net assets that is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

Alameda County Mosquito Abatement District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 3 - CASH AND INVESTMENTS

Cash and investments consisted of the following as of June 30, 2011:

	Carrying Value	Investment Risk
Governmental Activities:		
Pooled cash and investments	\$ 2,454,604	AA
Cash with VCJPA	178,590	N/A
Cash in LAIF	147,557	N/A
Cash in City National Bank	53,441	N/A
Total cash and investments	\$ 2,834,192	
Fiduciary Funds:		
Money market mutual funds	\$ 5,202	
Equity mutual funds	854,489	
Bond mutual funds	682,865	
Total cash and investments	\$ 1,542,556	

Investments are reported at fair value. The District adjusts the carrying value of its investments, if material, to reflect their fair value at the fiscal year end, and includes the effect of these adjustments in income for that fiscal year. Investments in equity securities, corporate bonds and issues of the U.S. Government are valued at the last reported sales price of the fiscal year end. International securities reflect current exchange rates in effect at the fiscal year end. Purchases and sales of securities are recorded on a trade date basis.

A. Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for deposits and investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

California Law requires banks and savings and loan associations to pledge government securities with a market value of 110% of the District's cash on deposit or first trust deed mortgage notes with a value of 150% of the deposit as collateral for these deposits. Under California Law, this collateral is held in the District's name and places the District ahead of general creditors of the institution.

B. Investments

The District's cash and investments with the County Treasurer are invested under policy guidelines established by the County. Credit risk information regarding the cash held by the Treasurer is included in the Comprehensive Annual Financial Report of the County of Alameda.

The credit risk regarding the investment in the Vector Control Joint Powers Agency (VCJPA) is included in the financial statements of the Vector Control Joint Powers Agency.

Alameda County Mosquito Abatement District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 3 - CASH AND INVESTMENTS (continued)

B. Investments (concluded)

The District voluntarily participates in LAIF (Local Agency Investment Fund), regulated under Section 16429 of the State Government Code. LAIF allows local agencies such as the District to participate in a Pooled Money Investment Account managed by the State Treasurer Office and overseen by the Pooled Money Investment Board and the State Treasurer Investment Committee. A Local Agency Investment Advisory Board oversees LAIF. The fair value of the District's position in the pool is the same as the value of its pool shares. The total amount invested by all public agencies in LAIF, as of June 30, 2011 was approximately \$66.4 billion. The District had a contractual withdrawal value of \$147,557 in LAIF. LAIF's pro-rata share of fair value was estimated by the State Treasurer to be \$147,800.

C. Investments of the Fiduciary-Type Activities

Permitted Deposits and Investments – The District's Board of Directors has appointed the Trust Board to oversee policies and procedures related to the operation and administration of the Other Post Employment Benefit Trust (the Trust). The Trust's Investment Policy is authorized to make deposit/investments in insured commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, money market mutual funds with portfolios of securities issued or guaranteed by the United States or agreement to repurchase these same obligations, and commercial paper rated A or higher by one of the three standard rating services. The Trust may also invest in certain non U.S. obligations, LAIF, mutual funds, real estate investment trusts and equity securities.

D. Custodial Credit Risk - Investments

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. The Trust's investment policy requires all securities to be held by a third party custodian designated by the Trust's Board. The investment policy also provides that this risk be mitigated by investing in investment grade securities and by diversifying the investment portfolio. As of June 30, 2011, no investments were exposed to custodial credit risk.

E. Concentration of Credit Risk

The Trust's investment policy requires diversification of the investment portfolio to minimize risk of loss resulting from over-concentration in a particular type of security, risk factor, issuer or maturity. As of June 30, 2011, 55% of the funds' assets were held in equity mutual funds and 45% in fixed income mutual funds.

F. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Trust's investment policy provides that the exposure to interest rate risk be mitigated by purchasing a diverse combination of shorter term and longer term investments. Information about the sensitivity of the fair value of investments, held by the trustee, to market interest rate fluctuations is provided in the table below.

Alameda County Mosquito Abatement District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 3 - CASH AND INVESTMENTS (concluded)

Other Post Employment Benefit Trust:	Investment Maturity (In Years)			Rating at June 30, 2011
	Fair Value	Less than 1	1-5	
Money Markets	\$ 5,202	\$ 5,202	\$ -	AAA
Mutual Funds - Fixed Income	682,865		682,865	Not Rated
Mutual Funds - Equity	854,489	-	854,489	Not Rated
Total cash and investments	<u>\$ 1,542,556</u>	<u>\$ 5,202</u>	<u>\$ 1,537,354</u>	

NOTE 4 - CAPITAL ASSETS

An analysis of fixed assets at June 30, 2011, is as follows:

<u>Governmental Activities</u>	Balance 6/30/10	Additions	Retirements	Balance 6/30/11
Capital assets, not being depreciated:				
Land	\$ 61,406	\$ -	\$ -	\$ 61,406
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>61,406</u>	-	-	<u>61,406</u>
Capital assets, being depreciated:				
Structures and improvements	3,899,983	-	-	3,899,983
Machinery and equipment	967,342	62,918	(191,529)	838,731
Total capital assets, being depreciated	<u>4,867,325</u>	<u>62,918</u>	<u>(191,529)</u>	<u>4,738,714</u>
Less accumulated depreciation for:				
Structures and improvements	(1,070,836)	(108,688)	-	(1,179,524)
Machinery and equipment	(892,412)	(28,900)	191,529	(729,783)
Total accumulated depreciation	<u>(1,963,248)</u>	<u>(137,588)</u>	<u>191,529</u>	<u>(1,909,307)</u>
Total capital assets being depreciated - net	<u>2,904,077</u>	<u>(74,670)</u>	-	<u>2,829,407</u>
Capital assets - net depreciation	<u>\$ 2,965,483</u>	<u>\$ (74,670)</u>	<u>\$ -</u>	<u>\$ 2,890,813</u>

NOTE 5 - LONG-TERM DEBT

The District obtained a \$1,000,000 loan, with an annual interest rate of 3.9%, from Municipal Finance Corporation in Calabasas, California on July 13, 2005. Proceeds from this loan were used for the construction of the District's new building located at 23187 Connecticut Street, Hayward, CA 94545. The District committed to making ten principal and interest payments of \$111,035 each, on March 26 and December 31 of each year, starting on March 26, 2006. The debt has been paid in full as of June 30, 2011.

Alameda County Mosquito Abatement District
NOTES TO BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2011

NOTE 5 - LONG-TERM DEBT (concluded)

A schedule of changes in long-term liability for the year ended June 30, 2011 is as follows:

	Balance July 1, 2010	Additions	Payments	Balance June 30, 2011	Current Portion
Loan	\$ 108,725	\$ -	\$ 108,725	\$ -	\$ -
Compensated absences	107,614	-	1,154	106,460	106,460
Total	<u>\$ 216,339</u>	<u>\$ -</u>	<u>\$ 109,879</u>	<u>\$ 106,460</u>	<u>\$ 106,460</u>

NOTE 6 - PROPERTY TAX LEVY, COLLECTION AND MAXIMUM RATES

The State of California (the State) Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value unless voters have approved an additional amount. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be increased by no more than 2% per year unless the property is sold or transferred. The State Legislature has determined the method of distribution of receipts from a 1% tax levy among counties, cities, school districts and other districts. Counties, cities, school districts and other districts may levy such additional tax as is necessary to provide for voter approved debt service.

The County of Alameda assesses properties, bills, and collects property taxes as follows:

	<u>Secured</u>	<u>Unsecured</u>
Valuation dates	March 1	March 1
Lien/levy dates	July 1	July 1
Due dates	50% on November 1 50% on February 1	Upon receipt of billing
Delinquent as of	December 10 (for November) April 10 (for February)	August 31

The term "unsecured" refers to taxes on property not secured by liens on real property.

Property taxes levied are recorded as revenue when received, in the fiscal year of levy, due to the adoption of the "alternate method" of property tax distribution, known as the Teeter Plan, by the District and the County. The Teeter Plan authorizes the auditor/controller of the County to allocate 100% of the secured property taxes billed, but not yet paid. The County remits tax monies to the District in three installments as follows:

- 50% remitted on December 15
- 40% remitted on April 15
- 10% remitted on June 30

Alameda County Mosquito Abatement District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 7 - SELF-INSURANCE AND JOINT POWERS AGENCY

The District participates with other districts in the Vector Control Joint Powers agency ("VCJPA") The VCJPA was established under the provisions of California Government Code Section 6500 et seq.

The program covers the District's individual workers' compensation claims from \$25,000 to \$350,000; excess insurance is obtained to cover individual claims from \$350,000 to \$500,000 (the statutory limit). The District is self-insured for claims under \$25,000.

Annual premiums, based on the District's total payroll, are deposited in the District's separate Pooled Workers' Compensation Account (the Account) at the VCJPA. The Account is reduced by the District's share of all program claim settlements, excess insurance premiums and related administrative expenses. Three years after the end of each fiscal year, the VCJPA is to make a retroactive adjustment to refund/collect any remaining balance/deficit in the District's account. While the District's ultimate share of workers' compensation claim settlements and related administrative expenses is uncertain, the District's management does not believe it will have a material impact on the District's basic financial statements. The District also participates in a pool for general liability coverage. The program covers comprehensive, general, errors and omissions, and automobile liability. The program covers individual claims for the first \$1,000,000 to \$2,000,000 and purchases excess insurance from \$2,000,000 to \$14,000,000.

Annual premiums are deposited in the District's separate Liability Account at the VCJPA. The account is reduced by the District's share of all program claim settlements, excess insurance premiums and related administrative expenses. Five years after the end of each fiscal year, the VCJPA will make a retroactive adjustment to refund/collect any remaining balance/deficit in the District's account. While the District's ultimate share of liability claim settlements and related administrative expenses is uncertain, the District's management does not believe it will have a material impact on the District's basic financial statements. The \$178,590 in deposit with the VCJPA as of June 30, 2011, represents additional monies, under the District's control, which the District may use for future self-insurance related expenditures or any other purpose.

Deposits at the VCJPA bear interest based on the average daily balance maintained by each district. These deposits are managed by Public Financial Management.

NOTE 8 - PERS PENSION PLAN

A. Plan Description

The District contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee retirement system. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agency for participating public entities within the State of California. Benefit provisions and all other requirements are established by the state statute and the District's ordinance. PERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained from the Executive Office, 400 P Street, Sacramento, CA, 95814.

Alameda County Mosquito Abatement District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 8 - PERS PENSION PLAN (concluded)

B. Funding Policy

Active plan members are required to contribute 7% of their salary and the District is required to contribute an actuarially determined rate. The District makes the entire contribution on behalf of the employees. The actuarial methods and assumptions used for determining the rate are those adopted by the PERS Board of Administration.

The District's required employer contribution rate for fiscal year 2010-2011 was 21.739% of annual payroll. The contribution requirements to PERS for the fiscal years ended June 30, 2011, 2010, 2009, and 2008, were \$357,673, \$333,296, \$294,206, and \$275,423 respectively, and equal to 100% of the required contributions for each year.

C. Annual Pension Cost

The District's annual pension cost for the PERS Fund was equal to the District's required and actual contributions which were determined as part of the June 30, 2010 actuarial valuation using the Entry Age Normal Actuarial Cost Method. The actuarial assumptions included: a) a 7.75% expected long-term investment rate of return (net of administrative expenses) and b) projected salary increases of 3.55% to 14.45%. Both a) and b) include an inflation component of 3.0%. The actuarial value of the District's assets was determined using a technique that smoothes the effect of short-term volatility in the market value of investments over a two to five year period depending on the size of investment gains and/or losses. The PERS Fund's Unfunded Actuarial Accrued Liability (or excess assets) is being amortized over a closed period equal to the average amortization period at the plan's date of entry into the PERS risk pool. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the risk pool are amortized over a rolling 30-year period. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30-year amortization period.

Required Supplementary Information – Miscellaneous Plan

	(A)	(B)	(C)	(D)	(E)	(F)
	Entry Age	Unfunded	Unfunded	Funded	Annual	UAAL as a %
Valuation Date	Normal Accrued Liability	Actuarial Value of Assets	Liability (Excess Assets) [(A)-(B)]	Status [(B)/(A)]	Covered Payroll	{[(A)- (B)]/(E)}
6/30/08	\$2,780,280,768	\$2,547,323,278	\$232,957,490	91.6%	\$688,606,681	33.8%
6/30/09	\$3,104,798,222	\$2,758,511,101	\$346,287,121	88.9%	\$742,981,488	46.6%
6/30/10	\$3,309,064,934	\$2,946,408,106	\$362,656,828	89.0%	\$748,401,352	48.5%

Alameda County Mosquito Abatement District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011

NOTE 9 - POST-EMPLOYMENT BENEFITS OTHER THAN RETIREMENT

Plan Description. As authorized by the District's Board of Directors, the District administers a single employer defined benefit health care plan. The defined benefit post-employment healthcare plan provides medical benefits to eligible District employees and elected officials who retire from the District at age 50 or older and are eligible for a PERS pension. The District's OPEB Trust is shown as a fiduciary fund in this financial report.

The District provides health care for employees, and dependents (and also for retirees and their dependents) in accordance with the California Public Employees Medical and Hospital Care Act (PEMHCA), more commonly referred to as PERS Health. Employees may choose one of five medical options: Blue Shield HMO, Kaiser HMO, PERSCare PPO, Blue Shield Net Value HMO, or PERSChoice PPO. The District has a cap on employer contributions set each year at 100% of the Kaiser one-party rate for the Bay Area/Sacramento region for individual coverage and 90% of the corresponding two-party rate for second and third tier coverages. Employees and retirees may choose a more expensive coverage but they must pay any premiums in excess of the cap. The District also pays for vision and dental for employees and retirees, in addition to the medical cap. There is a small group of retirees (pre-1980 retirees) who are reimbursed up to \$1,200 per year for dental coverage for the retiree and spouse (each). All others are covered by Delta Dental. The District also pays a 0.45% of premium administrative charge for all retirees.

Funding Policy. There is no statutory requirement for the District to prefund its OPEB obligation. The District currently pays for retiree healthcare benefits on a pay-as-you-go basis. There are no employee contributions. For the fiscal year ending June 30, 2011, the District paid approximately \$64,764 for retiree healthcare plan benefits. As of July 1, 2009, the plan membership consisted of 14 active participants and 9 retirees and beneficiaries currently receiving benefits.

The District is required to contribute or accrue the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years.

Annual OPEB Cost and Net OPEB Obligation/(Asset). The following table shows the components of the District's Annual OPEB Cost for the fiscal year ended June 30, 2011, the amount actually contributed to the plan (including implicit subsidy, if any), and changes in the District's Net OPEB Obligation/(Asset):

<u>Item</u>	<u>June 30, 2011</u>
Annual Required Contributions	\$ 299,824
Interest on Net OPEB Obligation/(Asset)	10,494
Adjustment to Annual Required Contributions	<u>(13,653)</u>
Annual OPEB cost (expense)	\$ 296,665
Contributions made	<u>(1,586,061)</u>
Increase in Net OPEB Obligation/(Asset)	\$ (1,289,396)
Net OPEB Obligation/(Asset)– beginning of year	<u>209,874</u>
Net OPEB Obligation/(Asset) – end of year	<u><u>(1,079,522)</u></u>

Alameda County Mosquito Abatement District
NOTES TO BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2011

NOTE 9 - POST-EMPLOYMENT BENEFITS OTHER THAN RETIREMENT (concluded)

The District's Annual OPEB Cost, the percentage of Annual OPEB Cost contributed to the plan, and the Net OPEB Obligation/(Asset) for the fiscal year ended June 30, 2011 and June 30, 2010 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/ (Asset)
6/30/10	\$299,824	\$89,950	30%	\$209,874
6/30/11	\$296,665	\$1,586,061	534%	\$(1,079,522)

Funded Status and Funding Progress. The funded status of the plan as of the most recent actuarial valuation was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Projected Unit Credit Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2009	\$ - 0 -	\$2,623,086	\$2,623,086	00.0%	\$884,452	296.6%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the Annual Required Contributions of the District are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The plan's most recent actuarial valuation was performed as of July 1, 2009. In that valuation, the Projected Unit Credit (PUC) Cost Method was used. The actuarial assumptions included a 6 percent investment rate of return (net of administrative expenses). The medical trend rate was 7 percent graded down by 1 percent per year to an ultimate of 5 percent for fiscal years beginning 2011 and thereafter. The dental and vision trend rates were 4 percent per year for all years. These assumptions reflect an implicit 3 percent general inflation assumption. The District's Unfunded Actuarial Accrued Liability is being amortized as a level dollar amount on an open basis over 30 years.

Alameda County Mosquito Abatement District
 GOVERNMENTAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES

Schedule 1

Budget and Actual
 For the Year Ended June 30, 2011
 (Unaudited)

	General Fund			
	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 1,548,990	\$ 1,548,990	\$ 1,556,812	\$ 7,822
Special assessments	1,880,000	1,880,000	1,860,144	(19,856)
Governmental aid	-	-	24,154	24,154
Interest	20,000	20,000	14,618	(5,382)
Charges for services	-	-	-	-
Miscellaneous	5,000	5,000	8,210	3,210
Total revenues	3,453,990	3,453,990	3,463,938	9,948
Expenditures:				
Salaries and fringe benefits	1,971,283	1,971,283	3,374,696	(1,403,413)
Materials, supplies and services	698,723	698,723	464,007	234,716
Debt service	111,035	111,035	108,724	2,311
Capital outlay	-	-	62,918	(62,918)
Total expenditures	2,781,041	2,781,041	4,010,345	(1,229,304)
Excess (deficit) of revenues over (under) expenditures	\$ 672,949	\$ 672,949	(546,407)	\$ (1,219,356)
Fund balances, beginning of period			3,375,807	
Fund balances, end of period			\$ 2,829,400	