

ALAMEDA COUNTY MOSQUITO ABATEMENT DISTRICT

HAYWARD, CALIFORNIA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2015

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Alameda County Mosquito Abatement District
Hayward, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Alameda County Mosquito Abatement District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Alameda County Mosquito Abatement 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 and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to Alameda County Mosquito Abatement District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Alameda County Mosquito Abatement 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 audit 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, the major fund and the aggregate remaining fund information of the Alameda County Mosquito Abatement District, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and page 34, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
February 11, 2016

Alameda County Mosquito Abatement District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015
(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, 2015. 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 Position 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 Position and the Statement of Activities. The Statement of Net Position 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 Position 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.

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.

Alameda County Mosquito Abatement District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015
(Unaudited)

The Statement of Net Position 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 increased by \$305,722 this fiscal year primarily due to the increase in property tax revenue received. Actual revenues were greater than budgeted revenues by \$357,808.

General Fund expenditures were \$3,146,935, a decrease of \$296,193 from the prior year mainly due to the District not making any contributions to the OPEB trust this fiscal year. Annual operating expenditures were lower than budgeted by \$481,731.

Alameda County Mosquito Abatement District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended June 30, 2015
 (Unaudited)

Governmental Activities

Table 1
Governmental Net Position

| | <u>Governmental Activities</u> | |
|---|--------------------------------|---------------------|
| | <u>2015</u> | <u>2014</u> |
| <u>Assets</u> | | |
| Current and other assets | \$ 4,592,660 | \$ 3,713,484 |
| Capital assets | <u>2,689,391</u> | <u>2,667,980</u> |
| Total assets | <u>7,282,051</u> | <u>6,381,464</u> |
| Deferred outflows of resources | <u>163,799</u> | <u>-</u> |
| <u>Liabilities</u> | | |
| Current liabilities | 98,462 | 54,908 |
| Long-term liabilities | <u>2,039,494</u> | <u>138,929</u> |
| Total liabilities | <u>2,137,956</u> | <u>193,837</u> |
| Deferred inflows of resources | <u>(150,598)</u> | <u>-</u> |
| <u>Net Position</u> | | |
| Invested in capital assets, net of debt | 2,689,391 | 2,667,980 |
| Unrestricted | <u>2,769,101</u> | <u>3,519,647</u> |
| Total net position | <u>\$ 5,458,492</u> | <u>\$ 6,187,627</u> |

The District's governmental net position amounted to \$5,458,492 as of June 30, 2015, a decrease of \$729,135 from 2014. The decrease is the Change in Net Position reflected in the Governmental Activities column of the Statement of Activities shown in Table 2 and the prior period adjustment. The District's net position as of June 30, 2015 is comprised of the following:

- Cash and investments of \$4,592,660.
- Capital assets of \$2,689,391 net of depreciation charges, which includes all the District's capital assets used in governmental activities.
- Liabilities, including accounts payable of \$98,462, compensated absences of \$116,448, and net pension liability of \$1,923,046.
- Net position invested in capital assets, net of related debt, of \$2,689,391 representing the District's investment in capital assets used in Governmental Activities, net of amounts borrowed to finance that investment. The District has no long term debt.
- Unrestricted net position, the part of net position 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 \$2,769,101 of unrestricted net position as of June 30, 2015.

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 Position summarized in the following table.

Alameda County Mosquito Abatement District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended June 30, 2015
 (Unaudited)

Table 2
Changes in Governmental Net Position

| | Governmental Activities | |
|--|-------------------------|-------------------|
| | 2015 | 2014 |
| <u>Expenses</u> | | |
| OPEB trust contribution | \$ - | \$ 800,000 |
| Mosquito control | 2,260,635 | 2,691,497 |
| Total expenses | <u>2,260,635</u> | <u>3,491,497</u> |
| <u>General Revenues</u> | | |
| Property taxes | 1,732,006 | 1,597,083 |
| Redevelopment distributions | 172,346 | 165,563 |
| Special assessments | 1,899,118 | 1,886,169 |
| Governmental aid (Homeowners Property Tax Relief, State Subvention) | 15,714 | 15,924 |
| Transfer from OPEB trust | 133,188 | - |
| Miscellaneous | 13,942 | 24,619 |
| Interest income | <u>38,724</u> | <u>9,958</u> |
| Total revenues | <u>4,005,038</u> | <u>3,699,316</u> |
| Change in net position | <u>\$ 1,744,403</u> | <u>\$ 207,819</u> |

As Table 2 above shows, all of the District's fiscal year 2015 governmental revenue of \$4,005,038 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 and current year additions can be found in Note 4.

Debt Administration

The District currently does not utilize long-term debt to fund operations or growth.

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.

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.

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 POSITION

June 30, 2015

ASSETS

| | |
|--------------------------|------------------|
| Cash and investments | \$ 4,592,660 |
| Capital assets (Note 4): | |
| Non-depreciable assets | 61,406 |
| Depreciable assets, net | <u>2,627,985</u> |
| Total assets | <u>7,282,051</u> |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|--------------------------------|----------------|
| Deferred pension contributions | <u>163,799</u> |
|--------------------------------|----------------|

LIABILITIES

| | |
|-----------------------|------------------|
| Accounts payable | 98,462 |
| Compensated absences | 116,448 |
| Net pension liability | <u>1,923,046</u> |
| Total liabilities | <u>2,137,956</u> |

DEFERRED INFLOWS OF RESOURCES

| | |
|-------------------|------------------|
| Pension deferrals | <u>(150,598)</u> |
|-------------------|------------------|

NET POSITION

| | |
|---|---------------------|
| Invested in capital assets, net of related debt | 2,689,391 |
| Unrestricted | <u>2,769,101</u> |
| Total net position | <u>\$ 5,458,492</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, 2015

| <u>Functions/Programs</u> | <u>Expenditures</u> | <u>Program Revenues</u> Charges for Services | <u>Net (Expense) Revenue and Changes in Net Position</u> Total Governmental Activities |
|--|---------------------|--|---|
| Governmental Activities: | | | |
| Mosquito control | \$ 2,260,635 | \$ - | \$ (2,260,635) |
| Total governmental activities | <u>\$ 2,260,635</u> | <u>\$ -</u> | <u>(2,260,635)</u> |
| General revenues: | | | |
| Property taxes | | | 1,732,006 |
| Redevelopment distributions | | | 172,346 |
| Special taxes and benefit assessment | | | 1,899,118 |
| Governmental aid (Homeowners Property Tax Relief, State Subvention) | | | 15,714 |
| Transfer from OPEB trust | | | 133,188 |
| Interest and investment earnings | | | 13,942 |
| Miscellaneous | | | <u>38,724</u> |
| Total general revenues | | | <u>4,005,038</u> |
| Change in net position | | | <u>1,744,403</u> |
| Net position, beginning of period | | | 6,187,627 |
| Prior period adjustment | | | <u>(2,473,538)</u> |
| Net position, beginning of period restated | | | <u>3,714,089</u> |
| Net position, end of period | | | <u>\$ 5,458,492</u> |

The accompanying notes are an integral part of these financial statements

Alameda County Mosquito Abatement District
 GOVERNMENTAL FUND
BALANCE SHEET
 June 30, 2015

| <u>ASSETS</u> | <u>General Fund</u> |
|--|---------------------|
| Cash and investments available for operation | \$ 4,592,660 |
| Total assets | <u>\$ 4,592,660</u> |
| | |
| <u>LIABILITIES</u> | |
| Accounts payable | \$ 98,462 |
| Compensated absences | <u>116,448</u> |
| Total liabilities | <u>214,910</u> |
| | |
| <u>FUND BALANCES</u> | |
| Assigned for public health emergencies | 361,485 |
| Assigned for capital projects | 500,000 |
| Assigned for dry period cash | 3,039,735 |
| Assigned for insurance | <u>476,530</u> |
| Total fund balances | <u>4,377,750</u> |
| | |
| Total liabilities and fund balances | <u>\$ 4,592,660</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 POSITION
 For the Year Ended June 30, 2015

| | | |
|---|----|-----------|
| TOTAL FUND BALANCES - GOVERNMENTAL FUND | \$ | 4,377,750 |
|---|----|-----------|

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

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 \$5,329,573 and the accumulated depreciation is \$2,636,943:

2,689,391

DEFERRED INFLOWS AND OUTFLOWS

The deferred outflows below are not current assets or financial resources; and the deferred inflows are not due and payable in the current period and therefore are not reported in the Governmental Fund

| | | |
|-------------------|--|---------|
| Deferred outflows | | 163,799 |
| Deferred inflows | | 150,598 |

LONG-TERM LIABILITES

The liability below is not due and payable in the current periods and therefore is

not reported in the Governmental Fund

| | | |
|-----------------------|--|--------------------|
| Net pension liability | | <u>(1,923,046)</u> |
|-----------------------|--|--------------------|

| | | |
|---|----|------------------|
| NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ | <u>5,458,492</u> |
|---|----|------------------|

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, 2015

| | General Fund |
|---|--------------|
| Revenues: | |
| Property taxes | \$ 1,732,006 |
| Redevelopment distributions | 172,346 |
| Special assessments | 1,899,118 |
| Governmental aid (Homeowners Property Tax Relief, State Subvention) | 15,714 |
| Transfer from OPEB trust | 133,188 |
| Interest | 13,942 |
| Miscellaneous | 38,724 |
| Total revenues | 4,005,038 |
| Expenditures: | |
| Salaries and fringe benefits | 2,086,888 |
| Materials, supplies and services | 807,706 |
| Capital outlay | 252,341 |
| Total expenditures | 3,146,935 |
| Net change in fund balances | 858,103 |
| Fund balances, beginning of period | 3,519,647 |
| Fund balances, end of period | \$ 4,377,750 |

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, 2015

| | | |
|---|----|---------|
| NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND | \$ | 858,103 |
|---|----|---------|

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, \$231,624, exceeded depreciation, (\$210,213), in the current period.

21,411

ACCRUAL OF NONCURRENT ITEMS

The amount below included in the Statement of Activities does not require the use of current financial resources and therefore is not reported as an expenditure in governmental funds:

| | | |
|-----------------|--|---------|
| Pension expense | | 864,889 |
|-----------------|--|---------|

| | | |
|--|----|-----------|
| Changes in net position of governmental activities | \$ | 1,744,403 |
|--|----|-----------|

The accompanying notes are an integral part of these financial statements

Alameda County Mosquito Abatement District
 FIDUCIARY ACTIVITIES
STATEMENT OF FIDUCIARY NET POSITION
 OTHER POST-EMPLOYMENT BENEFITS (OPEB) TRUST FUND
 June 30, 2015

| | OPEB Trust Fund |
|---|--------------------|
| <u>ASSETS</u> | |
| Cash and cash equivalents | \$ 18,934 |
| Investments, at fair value: | |
| Equity mutual funds | 2,429,010 |
| Fixed income mutual funds | 1,594,497 |
| Total assets | 4,042,441 |
| <u>NET POSITION</u> | |
| Net position held in trust for Other Post-Employment Benefits | 4,042,441 |
| Total net position | \$ 4,042,441 |

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 POSITION
For the Year Ended June 30, 2015

| | OPEB Trust Fund |
|--|--------------------|
| <u>ADDITIONS</u> | |
| Investment income: | |
| Interest and dividends | \$ 92,364 |
| Net increase in fair value of investments | 25,318 |
| Total investment income | 117,682 |
| Total additions | 117,682 |
| <u>DEDUCTIONS</u> | |
| Benefits | 133,188 |
| Administrative expense | 2,844 |
| Total deductions | 136,032 |
| Net change in plan assets | (18,350) |
| <u>NET POSITION HELD IN TRUST FOR OTHER POST-EMPLOYMENT BENEFITS</u> | |
| Beginning of period | 4,060,791 |
| End of period | \$ 4,042,441 |

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, 2015

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 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, 2015, 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 of Alameda. Custodianship of the District's accounts and records is vested with the Auditor Controller of Alameda County (the 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).

(1) Government-wide and Fund Financial Statements:

The Government-wide Financial Statements (the Statement of Net Position 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.

Alameda County Mosquito Abatement District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Accounting Principles (continued)

Direct expenses are those that are clearly identifiable with the District's functions. *Program revenues* include charges for services. 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 Position 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, 2015

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 were under appropriations by \$706,351.

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 | Not Depreciable |
| Structures and Improvements | 5 - 39 |
| Machinery and Equipment | 5 - 7 |

E. Compensated Absences

All vacation pay is accrued when incurred. Employee compensated absences hours are capped at 400 hours. The District's accrued vacation was \$116,448 as of June 30, 2015.

Alameda County Mosquito Abatement District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Deferred Outflows and Inflows of Resources

Pursuant to GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position*, and GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, the District recognizes deferred outflows and inflows of resources.

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is defined as a consumption of net position by the government that is applicable to a future reporting period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. A deferred inflow of resources is defined as an acquisition of net position by the District that is applicable to a future reporting period.

G. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Alameda County Mosquito Abatement District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

H. 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:

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.

Alameda County Mosquito Abatement District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

H. Fund Equity (concluded)

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.

I. Net Position

GASB Statement No. 34 added the concept of Net Position. The Statement of Net Position 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 Position 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 position, by subtracting total liabilities from total assets.

The Statement of Net Position breaks out net position as follows:

Restricted describes the portion of net position 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 position that is not restricted from use.

Invested in Capital, net of related debt, describes the portion of net position 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, 2015

NOTE 3 - CASH AND INVESTMENTS

Cash and investments consisted of the following as of June 30, 2015:

| | Carrying Value | Investment Risk |
|-----------------------------|-------------------|--------------------|
| Governmental Activities: | | |
| Pooled cash and investments | \$ 4,141,551 | AA |
| Cash with VCJPA | 237,550 | N/A |
| Cash in LAIF | 149,374 | N/A |
| Cash in City National Bank | 64,185 | N/A |
| Total cash and investments | \$ 4,592,660 | |
| Fiduciary Funds: | | |
| Money market mutual funds | \$ 18,934 | |
| Equity mutual funds | 2,429,010 | |
| Bond mutual funds | 1,594,497 | |
| Total cash and investments | \$ 4,042,441 | |

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 District has a formal investment policy for the District's OPEB Trust fiduciary fund discussed in section C below.

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, 2015

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, 2015 was approximately \$69.7 billion. The District had a contractual withdrawal value of \$149,374 in LAIF. LAIF's pro-rata share of fair value was estimated by the State Treasurer to be \$149,374.

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, 2015, no investments were exposed to custodial credit risk.

H. 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, 2015, 39% of the funds' assets were held in equity mutual funds and 60% 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, 2015

NOTE 3 - CASH AND INVESTMENTS (concluded)

F. Interest Rate Risk (concluded)

| Other Post Employment Benefit Trust: | Investment Maturity (In Years) | | | Rating at June 30, 2015 |
|---|--------------------------------|------------------|---------------------|----------------------------|
| | Fair Value | Less than 1 | 1-5 | |
| Money Markets | \$ 18,934 | \$ 18,934 | \$ - | AAA |
| Mutual Funds - Fixed Income | 1,594,497 | | 1,594,497 | Not Rated |
| Mutual Funds - Equity | <u>2,429,010</u> | - | <u>2,429,010</u> | Not Rated |
| Total cash and investments | <u>\$ 4,042,441</u> | <u>\$ 18,934</u> | <u>\$ 4,023,507</u> | |

NOTE 4 - CAPITAL ASSETS

An analysis of fixed assets at June 30, 2015, is as follows:

| <u>Governmental Activities</u> | Balance 6/30/14 | Additions | Retirements | Balance 6/30/15 |
|---|---------------------|------------------|-------------------|---------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 61,406 | \$ - | \$ - | \$ 61,406 |
| Total capital assets, not being depreciated | <u>61,406</u> | - | - | <u>61,406</u> |
| Capital assets, being depreciated: | | | | |
| Structures and improvements | 3,929,444 | 128,276 | - | 4,057,720 |
| Machinery and equipment | <u>1,103,859</u> | <u>128,433</u> | <u>(21,845)</u> | <u>1,210,447</u> |
| Total capital assets, being depreciated | <u>5,033,303</u> | <u>256,709</u> | <u>(21,845)</u> | <u>5,268,167</u> |
| Less accumulated depreciation for: | | | | |
| Structures and improvements | (1,517,768) | (139,380) | - | (1,657,148) |
| Machinery and equipment | <u>(908,961)</u> | <u>(91,549)</u> | <u>17,476</u> | <u>(983,034)</u> |
| Total accumulated depreciation | <u>(2,426,729)</u> | <u>(230,929)</u> | <u>17,476</u> | <u>(2,640,182)</u> |
| Total capital assets being depreciated – net | <u>2,606,574</u> | <u>25,780</u> | <u>(4,369)</u> | <u>2,627,985</u> |
| Capital assets – net depreciation | <u>\$ 2,667,980</u> | <u>\$ 25,780</u> | <u>\$ (4,369)</u> | <u>\$ 2,689,391</u> |

NOTE 5 - ACCRUED VACATION

Accumulated unpaid employee vacation benefits are recognized as liabilities of the District. The amount of accumulated vacation totaled \$116,448 and \$138,929 at June 30, 2015 and 2014, respectively.

Alameda County Mosquito Abatement District
NOTES TO BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2015

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

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.

Alameda County Mosquito Abatement District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 7 - SELF-INSURANCE AND JOINT POWERS AGENCY (concluded)

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 \$237,550 in deposit with the VCJPA as of June 30, 2015, 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 Bickmore Risk Services.

NOTE 8 - CalPERS PENSION PLAN

A. Plan Description

All qualified permanent and probationary employees are eligible to participate in the District's separate Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

B. Benefits Provided

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

Alameda County Mosquito Abatement District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 8 - CalPERS PENSION PLAN (continued)

B. Benefits Provided (continued)

The Plan provisions and benefits in effect at June 30, 2015, are summarized as follows:

| | Miscellaneous | |
|--|-----------------------------|--------------------------------|
| | Prior to January 1, 2013 | On or after January 1, 2013 |
| Hire date | 2% @ 55 | 2% @ 62 |
| Benefit formula | 5 years service | 5 years service |
| Benefit vesting schedule | monthly for life | monthly for life |
| Benefit payments | 50 - 55 | 52 - 67 |
| Retirement age | 2.0% to 2.7% | 1.0% to 2.5% |
| Monthly benefits, as a % of eligible compensations | 6.9% | 6.5% |
| Required employee contribution rates | 22.402% | 6.5% |
| Required employer contribution rates | | |

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. Funding contributions for the Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2015, the contributions recognized as part of pension expense for each Plan were as follows:

| | |
|--------------------------|---------------|
| | Miscellaneous |
| Contributions - employer | \$163,799 |

As of June 30, 2015, the District reported net pension liabilities for its proportionate shares of the net pension liability of the Miscellaneous Plans as follows:

| | |
|---------------|--|
| | Proportionate Share of Net Pension Liability |
| Miscellaneous | \$ 1,923,046 |

Alameda County Mosquito Abatement District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 8 - CalPERS PENSION PLAN (continued)

B. Benefits Provided (continued)

The District's net pension liability for the Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Plans is measured as of June 30, 2014, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for each Plan as of June 30, 2013 and 2014 was as follows:

| | Miscellaneous |
|------------------------------|---------------|
| Proportion - June 30, 2013 | .080% |
| Proportion - June 30, 2014 | .078% |
| Change – Increase (Decrease) | .002% |

For the year ended June 30, 2014, the District recognized pension expense of \$165,431. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Pension contributions subsequent to measurement date | \$ 133,112 | \$ - |
| Differences between actual and expected experience | - | - |
| Changes in assumptions | - | - |
| Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions | 30,687 | - |
| Net differences between projected and actual earnings on plan investments | - | (646,233) |
| Total | \$ 163,799 | \$ (646,233) |

\$163,799 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| <u>Year Ended June 30</u> | | |
|---------------------------|----|-----------|
| 2015 | \$ | (150,598) |
| 2016 | | (150,598) |
| 2017 | | (152,791) |
| 2018 | | (161,559) |
| 2019 | | - |
| Thereafter | | - |

Alameda County Mosquito Abatement District
NOTES TO BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2015

NOTE 8 - CalPERS PENSION PLAN (continued)

B. Benefits Provided (continued)

Actuarial Assumptions - The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

| | Miscellaneous(4) |
|----------------------------------|--|
| Valuation Date | June 30, 2013 |
| Measurement Date | June 30, 2014 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.5% |
| Inflation | 2.75% |
| Payroll Growth | 3.0% |
| Projected Salary Increase | 3.3% - 14.2% (1) |
| Investment Rate of Return | 7.5% (2) |
| Mortality | Derived using CalPERS Membership Data for all Funds (3) |
| Post Retirement Benefit Increase | Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter. |

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2014 experience study report available on CalPERS website.
- (4) All of the District's plans for miscellaneous employed the same assumptions.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate - The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

Alameda County Mosquito Abatement District
NOTES TO BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2015

NOTE 8 - CalPERS PENSION PLAN (continued)

B. Benefits Provided (continued)

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal years. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns on all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

| <u>Asset Class</u> | <u>New Strategic Allocation</u> | <u>Real Return Years 1-10⁽¹⁾</u> | <u>Real Return Years 11+⁽²⁾</u> |
|-------------------------------|-------------------------------------|---|--|
| Global Equity | 47.0% | 5.25% | 5.71% |
| Global Fixed Income | 19.0 | 0.99 | 2.43 |
| Inflation Sensitive | 6.0 | 0.45 | 3.36 |
| Private Equity | 12.0 | 6.83 | 6.95 |
| Real Estate | 11.0 | 4.50 | 5.13 |
| Infrastructure and Forestland | 3.0 | 4.50 | 5.09 |
| Liquidity | 2.0 | (0.55) | (1.05) |

(1) An expected inflation of 2.5% used for this period

(2) An expected inflation of 3.0% used for this period.

Alameda County Mosquito Abatement District
NOTES TO BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2015

NOTE 8 - CalPERS PENSION PLAN (continued)

B. Benefits Provided (continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | Miscellaneous |
|-----------------------|---------------|
| 1% Decrease | 6.5% |
| Net Pension Liability | \$3,426,274 |
| Current Discount Rate | 7.50% |
| Net Pension Liability | \$1,923,046 |
| 1% Increase | 8.50% |
| Net Pension Liability | \$675,510 |

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

As of June 30, 2015
 Last 10 Years*

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 2014

| | |
|--|-------------|
| Proportion of the net pension liability | 0.03090% |
| Proportionate share of the net pension liability | \$1,923,046 |
| Covered - employee payroll | \$1,287,185 |
| Proportionate Share of the net pension liability as percentage of covered-employee payroll | 149.40% |
| Plan fiduciary net position as a percentage of the total pension liability | 83.03% |

Notes to Schedule:

Benefit changes. In 2014, benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

Changes in assumptions. In 2014, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

Alameda County Mosquito Abatement District
NOTES TO BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2015

NOTE 8 - CalPERS PENSION PLAN (concluded)

B. Benefits Provided (concluded)

As of June 30, 2015
 Last 10 Years*
SCHEDULE OF CONTRIBUTIONS
 2014

| | | |
|---|----|--------------------|
| Contractually required contribution (actuarially determined) | \$ | 152,526 |
| Contributions in relation to the actuarially determined contributions | | (152,526) |
| | \$ | <u> -</u> |
| Contribution deficiency (excess) | | - |
| Covered-employee payroll | \$ | 1,287,185 |
| Contributions as a percentage of covered-employee payroll | | 11.85% |

Notes to Schedule:

Valuation date: 6/30/2013

Methods and assumptions used to determine contribution rates:

| | |
|------------------------------------|--|
| Single and Agent Employers Example | Entry age |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 15 years |
| Asset valuation method | 5-year smoothed market |
| Inflation | 3.50% |
| Salary increases | 4.5%, average, including inflation of 3.0% |
| Investment rate of return | 7.75%, net of pension plan investment expense, incl. inflation |
| Retirement age | 57 yrs. |
| Mortality | RP-2000 Healthy Annuitant Mortality Table |

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

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 who retire from the District at age 50 or older, are eligible for a CalPERS pension, and have been employed by the District for at least 10 years. The District's OPEB Trust is shown as a fiduciary fund in this financial report.

Alameda County Mosquito Abatement District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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

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 has established a trust fund which is currently almost fully funded. The District currently pays for retiree healthcare benefits on a pay-as-you-go basis until the District trust is funded, which is in process. There are no employee contributions. For the fiscal year ending June 30, 2015, the District's plan paid approximately \$133,188 for retiree healthcare plan benefits. As of July 1, 2014, the plan membership consisted of 16 active participants and 11 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, 2015, 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, 2015</u> | <u>June 30, 2014</u> |
|---|-----------------------|-----------------------|
| Annual Required Contributions | \$ 2,249 | \$ 170,578 |
| Interest on Net OPEB Obligation/(Asset) | (155,511) | (112,021) |
| Adjustment to Annual Required Contributions | <u>188,295</u> | <u>135,637</u> |
| Annual OPEB cost (expense) | 35,033 | 194,194 |
| Contributions made | - | (919,014) |
| Benefits paid | <u>133,188</u> | <u>-</u> |
| Increase in Net OPEB Obligation/(Asset) | 168,221 | (724,820) |
| Net OPEB Obligation/(Asset) – beginning of year | <u>(2,591,843)</u> | <u>(1,867,023)</u> |
| Net OPEB Obligation/(Asset) – end of year | <u>\$ (2,423,622)</u> | <u>\$ (2,591,843)</u> |

Alameda County Mosquito Abatement District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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, 2015 and June 30, 2014 are as follows:

| Fiscal Year Ended | Annual OPEB Cost | Actual Contribution | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation/ (Asset) |
|-------------------------|---------------------|------------------------|--|------------------------------------|
| 6/30/13 | \$189,134 | \$589,112 | 311% | \$(1,867,023) |
| 6/30/14 | \$194,194 | \$919,014 | 473% | \$(2,591,843) |
| 6/30/15 | \$35,033 | \$ -0- | 0% | \$(2,423,622) |

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% |
| July 1, 2011 | \$1,552,693 | \$2,336,840 | \$784,147 | 66.4% | \$1,204,307 | 65.1% |
| July 1, 2014 | \$4,060,791 | \$2,593,554 | (\$1,467,237) | 156.5% | \$1,497,218 | N/A |

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, 2014. 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 increased to 8 percent due to expected spike in medical trend, as well as uncertain effects of recently enacted federal healthcare legislation. 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
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

NOTE 10 - DEFERRED COMPENSATION PLAN

The District employees may defer a portion of their compensation under a District sponsored Deferred Compensation Plan (the Plan) created in accordance with Internal Revenue Code Section 457. Under this Plan, participants are not taxed on the deferred portion of the compensation until it is distributed to them; distributions may be made only at termination, retirement, death or in an emergency as defined by the Plan. A total of 9 employee's deferred compensation during the fiscal year ended June 30, 2015.

The laws governing the Plan assets require Plan assets to be held by a Trust for the exclusive benefits of Plan participants and their beneficiaries. Since the assets held under this Plan are not the District's property, are not managed by the District and are not subject to claims by general creditors of the District, they have been excluded from these financial statements.

NOTE 11 - PRIOR PERIOD ADJUSTMENT

The prior period adjustment of \$(2,473,538) represents the change to the July 1, 2014 net position resulting from the GASB 68 implementation and the recording of the net pension liability.

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, 2015
(Unaudited)

| | General Fund | | | |
|---|------------------|------------------|---------------------|-------------------|
| | Budgeted Amounts | | Actual | Variance with |
| | Original | Final | | Final Budget |
| Revenues: | | | | |
| Property taxes | \$ 1,601,172 | \$ 1,601,172 | \$ 1,732,006 | \$ 130,834 |
| Redevelopment distributions | - | - | 172,346 | 172,346 |
| Special assessments | 1,883,932 | 1,883,932 | 1,899,118 | 15,186 |
| Governmental aid (Homeowners Property Tax Relief, State Subvention) | 15,658 | 15,658 | 15,714 | 56 |
| Transfer from OPEB trust | - | - | 133,188 | 133,188 |
| Interest | 4,000 | 4,000 | 13,942 | 9,942 |
| Miscellaneous | <u>142,468</u> | <u>142,468</u> | <u>38,724</u> | <u>(103,744)</u> |
| Total revenues | <u>3,647,230</u> | <u>3,647,230</u> | <u>4,005,038</u> | <u>357,808</u> |
| Expenditures: | | | | |
| Salaries and fringe benefits | 2,239,304 | 2,239,304 | 2,086,888 | 152,416 |
| Materials, supplies and services | 1,066,362 | 1,066,362 | 807,706 | 258,656 |
| Capital outlay | <u>323,000</u> | <u>323,000</u> | <u>252,341</u> | <u>70,659</u> |
| Total expenditures | <u>3,628,666</u> | <u>3,628,666</u> | <u>3,146,935</u> | <u>481,731</u> |
| Excess (deficit) of revenues over (under) expenditures | <u>\$ 18,564</u> | <u>\$ 18,564</u> | 858,103 | <u>\$ 839,539</u> |
| Fund balances, beginning of period | | | <u>3,519,647</u> | |
| Fund balances, end of period | | | <u>\$ 4,377,750</u> | |