ALAMEDA COUNTY MOSQUITO ABATEMENT DISTRICT

HAYWARD, CALIFORNIA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2012

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R. J. RICCIARDI, INC.
CERTIFIED PUBLIC ACCOUNTANTS

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, 2012, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Alameda County Mosquito Abatement District's internal control over financial reporting. Accordingly, we express no such opinion. 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, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 2-6) and the Required Supplementary Information (page 27), 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
December 19, 2012

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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, 2012. 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.

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 increased by $147,793 this fiscal year due primarily to increases in property taxes and special assessments. Actual revenues were greater than budgeted revenues by $202,931 (actual $3,611,731 vs. budget $3,408,800).

General Fund expenditures were $2,972,393, a decrease of $1,037,952 from the prior year mainly due to a large contribution to the OPEB Trust Fund in the prior period and the District no longer is servicing any long-term debt. The last principal payment was made in the 2011 fiscal year. Expenditures were greater than budgeted by $65,900.

Governmental Activities

Table 1
Governmental Net Assets

	Governmental Activities	
	2012	2011
Assets		
Current and other assets	$ 3,585,757	$ 2,961,263
Capital assets	2,819,684	2,890,813
Total assets	6,405,441	5,852,076
Liabilities		
Current liabilities	14,764	25,403
Long-term liabilities	102,255	106,460
Total liabilities	117,019	131,863
Net Assets		
Invested in capital assets, net of debt	2,819,684	2,829,407
Unrestricted	3,468,738	2,890,806
Total net assets	$ 6,288,422	$ 5,720,213

The District's governmental net assets amounted to $6,288,422 as of June 30, 2012, an increase of $568,209 from 2011. The increase 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, 2012 comprised the following:

- Cash and investments of $3,458,686.
- Accounts receivable of $127,071.
- Capital assets of $2,819,684 net of depreciation charges, which includes all the District's capital assets used in governmental activities.
- Liabilities, including accounts payable of $14,764 and compensated absences of $102,255.
- Net assets invested in capital assets, net of related debt, of $2,819,684, 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 $3,468,738 of unrestricted net assets as of June 30, 2012.

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.

Table 2
Changes in Governmental Net Assets

	Governmental Activities	
	2012	2011
Expenses		
Mosquito abatement	$ 3,043,522	$ 3,766,418
Total expenses	3,043,522	3,766,418
General Revenues		
Property taxes	1,664,394	1,556,812
Special assessments	1,914,785	1,884,298
Miscellaneous	18,632	8,210
Interest and investment earnings	13,920	14,618
Total revenues	3,611,731	3,463,938
Change in net assets	$ 568,209	$ (302,480)

As Table 2 above shows, all of the District's fiscal year 2012 governmental revenue of $3,611,731 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 balance of the District's long-term debt as of June 30, 2012 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.

The District paid off a 5 year $1,000,000 loan to remodel the Administration building and Laboratory in the 2011 fiscal year 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 within several years.

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, 2012

ASSETS		
Cash and investments	$	3,458,686
Accounts receivable		127,071
Capital assets:		
Non-depreciable assets		61,406
Depreciable assets, net		2,758,278
Total assets		6,405,441
LIABILITIES		
Accounts payable		14,764
Compensated absences		102,255
Total liabilities		117,019
NET ASSETS		
Invested in capital assets, net of related debt		2,819,684
Unrestricted		3,468,738
Total net assets	$	6,288,422

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, 2012

Functions/Programs	Expenditures	Program Revenues: Charges for Services	Net (Expense) Revenue and Changes in Net Assets: Total Governmental Activities
Governmental Activities:			
Mosquito abatement	$ 3,043,522	$ -	$ (3,043,522)
Total governmental activities	$ 3,043,522	$ -	(3,043,522)
General revenues:			
Property taxes			1,664,394
Special taxes and benefit assessment			1,914,785
Miscellaneous			18,632
Interest and investment earnings			13,920
Total general revenues			3,611,731
Change in net assets			568,209
Net assets, beginning of period			5,720,213
Net assets, end of period			$ 6,288,422

The accompanying notes are an integral part of these financial statements

Alameda County Mosquito Abatement District
GOVERNMENTAL FUND
BALANCE SHEET
June 30, 2012

	General Fund
ASSETS	
Cash and investments available for operation	$ 3,458,686
Accounts receivable	127,071
Total assets	$ 3,585,757
LIABILITIES	
Accounts payable	$ 14,764
Compensated absences	102,255
Total liabilities	117,019
FUND BALANCES	
Unassigned	3,273,107
Assigned for insurance	195,631
Total fund balances	3,468,738
Total liabilities and fund balances	$ 3,585,757

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, 2012

TOTAL FUND BALANCES - GOVERNMENTAL FUND	$	3,468,738

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:

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 $4,883,193 and the accumulated depreciation is $2,063,509: 2,819,684

NET ASSETS OF GOVERNMENTAL ACTIVITIES	$	6,288,422

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, 2012

	General Fund
Revenues:	
Property taxes	$ 1,664,394
Special assessments	1,874,350
Governmental aid	40,435
Interest	13,920
Miscellaneous	18,632
Total revenues	3,611,731
Expenditures:	
Salaries and fringe benefits	2,398,153
Materials, supplies and services	491,167
Capital outlay	83,073
Total expenditures	2,972,393
Net change in fund balances	639,338
Fund balances, beginning of period	2,829,400
Fund balances, end of period	$ 3,468,738

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, 2012

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND	$	639,338
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, $83,073, was exceeded by depreciation, ($154,202), in the current period.		(71,129)
Changes in net assets of governmental activities	$	568,209

The accompanying notes are an integral part of these financial statements

Alameda County Mosquito Abatement District
FIDUCIARY ACTIVITIES
STATEMENT OF FIDUCIARY NET ASSETS
OTHER POST-EMPLOYMENT BENEFITS (OPEB) TRUST FUND
June 30, 2012

	OPEB Trust Fund
ASSETS	
Cash and cash equivalents	$ 1,819
Accounts receivable	1,286
Investments, at fair value:	
Equity mutual funds	1,103,564
Fixed income mutual funds	956,569
Total assets	2,063,238
NET ASSETS	
Net assets held in trust for Other Post-Employment Benefits	2,063,238
Total net assets	$ 2,063,238

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, 2012

	OPEB Trust Fund
ADDITIONS	
Contributions:	
Employer	$ 500,000
Total contributions	500,000
Investment income:	
Interest and dividends	47,982
Net decrease in fair value of investments	(24,717)
Total investment income	23,265
Total additions	523,265
DEDUCTIONS	
Benefits	-
Administrative expense	2,583
Total deductions	2,583
Net change in plan assets	520,682
NET ASSETS HELD IN TRUST FOR OTHER POST-EMPLOYMENT BENEFITS	
Beginning of period	1,542,556
End of period	$ 2,063,238

The accompanying notes are an integral part of these financial statements

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, 2012, 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).

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.

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 $434,100.

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:

Class	Estimated Useful Life in Years
Land	Not Depreciable
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 $102,255 as of June 30, 2012.

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:

NOTE 2 - 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.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments consisted of the following as of June 30, 2012:

Governmental Activities:	Carrying Value	Investment Risk
Pooled cash and investments	$ 3,055,149	AA
Cash with VCJPA	195,631	N/A
Cash in LAIF	148,155	N/A
Cash in City National Bank	59,751	N/A
Total cash and investments	$ 3,458,686	
Fiduciary Funds:		
Money market mutual funds	$ 1,819	
Equity mutual funds	1,103,564	
Bond mutual funds	956,569	
Total cash and investments	$ 2,061,952	

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.

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, 2012 was approximately $60.6 billion. The District had a contractual withdrawal value of $148,155 in LAIF. LAIF's pro-rata share of fair value was estimated by the State Treasurer to be $148,336.

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, 2012, 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, 2012, 53% of the funds' assets were held in equity mutual funds and 46% 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.

NOTE 3 - CASH AND INVESTMENTS (concluded)

F. Interest Rate Risk (concluded)

		Investment Maturity (In Years)		
Other Post Employment Benefit Trust:	Fair Value	Less than 1	1-5	Rating at June 30, 2012
Money Markets	$ 1,819	$ 1,819	$ -	AAA
Mutual Funds - Fixed Income	956,569		956,569	Not Rated
Mutual Funds - Equity	1,103,564	-	1,103,564	Not Rated
Total cash and investments	$ 2,061,952	$ 1,819	$ 2,060,133	

NOTE 4 - CAPITAL ASSETS

An analysis of fixed assets at June 30, 2012, is as follows:

Governmental Activities	Balance 6/30/11	Additions	Retirements	Balance 6/30/12
Capital assets, not being depreciated:				
Land	$ 61,406	$ -	$ -	$ 61,406
Total capital assets, not being depreciated	61,406	-	-	61,406
Capital assets, being depreciated:				
Structures and improvements	3,899,983	17,074	-	3,917,057
Machinery and equipment	838,731	65,999	-	904,730
Total capital assets, being depreciated	4,738,714	83,073	-	4,821,787
Less accumulated depreciation for:				
Structures and improvements	(1,179,524)	(112,103)	-	(1,291,627)
Machinery and equipment	(729,783)	(42,099)	-	(771,882)
Total accumulated depreciation	(1,909,307)	(154,202)	-	(2,063,509)
Total capital assets being depreciated – net	2,829,407	(71,129)	-	2,758,278
Capital assets – net depreciation	$ 2,890,813	$ (71,129)	$ -	$ 2,819,684

NOTE 5 - LONG-TERM DEBT

Currently, the District's only long-term debt is related to compensated absences. A schedule of changes in long-term liability for the year ended June 30, 2012 is as follows:

	Balance July 1, 2011	Additions	Payments	Balance June 30, 2012	Current Portion
Compensated absences	$ 106,460	$ -	$ 4,205	$ 102,255	$ -

NOTE 6 - PROPERTY TAX LEVY, COLLECTION AND MAXIMUM RATES

The State of California (the State) Constitution Article XIIIA 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 XIIIA 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:

	Secured	Unsecured
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.

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 $195,631 in deposit with the VCJPA as of June 30, 2012, 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

The District contributes to the California Public Employees' Retirement System (CalPERS), an agent multiple-employer public employee retirement system. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS 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. CalPERS 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.

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 CalPERS Board of Administration.

The District's required employer contribution rate for fiscal year 2011-2012 was 22.127% of annual payroll. The contribution requirements to CalPERS for the fiscal years ended June 30, 2012, 2011 and 2010 were $362,623, $357,673, and $333,296, respectively, and equal to 100% of the required contributions for each year.

NOTE 8 - CalPERS PENSION PLAN (concluded)

C. Annual Pension Cost

The District's annual pension cost for the CalPERS 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 CalPERS 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 CalPERS 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

Valuation Date	(A) Entry Age Normal Accrued Liability	(B) Actuarial Value of Assets	(C) Unfunded Liability (Excess Assets) [(A)-(B)]	(D) Funded Status [(B)/(A)]	(E) Annual Covered Payroll	(F) UAAL as a % of 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%

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 CalPERS 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.

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

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, 2012, the District paid approximately $71,756 for retiree healthcare plan benefits. As of July 1, 2011, 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, 2012, the amount actually contributed to the plan (including implicit subsidy, if any), and changes in the District's Net OPEB Obligation/(Asset):

Item	June 30, 2012
Annual Required Contributions	$ 170,578
Interest on Net OPEB Obligation/(Asset)	(64,771)
Adjustment to Annual Required Contributions	78,426
Annual OPEB cost (expense)	184,233
Contributions made	(571,756)
Increase in Net OPEB Obligation/(Asset)	(387,523)
Net OPEB Obligation/(Asset)– beginning of year	(1,079,522)
Net OPEB Obligation/(Asset) – end of year	$ (1,467,045)

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, 2012 and June 30, 2011 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation/ (Asset)
6/30/11	$296,665	$1,586,061	534%	$(1,079,522)
6/30/12	$184,233	$571,756	310%	$(1,467,045)

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%

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

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, 2011. 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

Schedule 1

GOVERNMENTAL FUND

SCHEDULE OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

Budget and Actual

For the Year Ended June 30, 2012

(Unaudited)

	General Fund			
	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Property taxes	$ 1,503,800	$ 1,503,800	$ 1,664,394	$ 160,594
Special assessments	1,880,000	1,880,000	1,874,350	(5,650)
Governmental aid	-	-	40,435	40,435
Interest	20,000	20,000	13,920	(6,080)
Miscellaneous	5,000	5,000	18,632	13,632
Total revenues	3,408,800	3,408,800	3,611,731	202,931
Expenditures:				
Salaries and fringe benefits	2,027,762	2,027,762	1,898,153	129,609
Materials, supplies and services	761,731	761,731	491,167	270,564
OPEB Trust contribution	500,000	500,000	500,000	-
Capital outlay	117,000	117,000	83,073	33,927
Total expenditures	3,406,493	3,406,493	2,972,393	434,100
Excess (deficit) of revenues over (under) expenditures	$ 2,307	$ 2,307	639,338	$ 637,031
Fund balances, beginning of period			2,829,400	
Fund balances, end of period			$ 3,468,738	