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STATE OF MINNESOTA

FINANCIAL AUDIT DIVISION REPORT

Metropolitan Mosquito Control District

Financial Statement Audit

Year Ended December 31, 2008

September 3, 2009 **Report 09-29**

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OFFICE OF THE LEGISLATIVE AUDITOR
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September 3, 2009

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Members of the Legislative Audit Commission

Ms. Myra Peterson, Chair
Metropolitan Mosquito Control Commission

Members of the Metropolitan Mosquito Control Commission

Mr. James Stark, Executive Director
Metropolitan Mosquito Control District

This report presents the results of our audit of the Metropolitan Mosquito Control District's (district) basic financial statements for the year ended December 31, 2008. This report meets the audit standard requirements of the American Institute of Certified Public Accountants and the Government Accountability Office to communicate internal control matters identified in a financial statement audit. The audit was conducted by Michael Hassing, CPA, CISA (Audit Manager) and John Hakes, CPA (Auditor-in-Charge), assisted by auditor Emily Wiant.

We issued an unqualified audit opinion on the district's financial statements.

This report is intended solely for the information and use of the Metropolitan Mosquito Control Commission's management and the Legislative Audit Commission and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which was released as a public document on September 3, 2009.

/s/ James R. Nobles	*/s/ Cecile M. Ferkul*
James R. Nobles Legislative Auditor	Cecile M. Ferkul, CPA, CISA Deputy Legislative Auditor

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Report Summary

Conclusions

- The Metropolitan Mosquito Control District's (district) financial statements for the year ended December 31, 2008, were presented fairly in accordance with generally accepted accounting principles in all material respects.

- The district's internal controls for selected financial operations were adequate to safeguard receipts and assets, accurately paid employees and vendors in accordance with management's authorization, produced reliable financial information, and complied with finance-related legal requirements.

- The district complied with the finance-related legal requirements we tested.

Audit Objectives and Scope

Audit Objectives:
- To give an opinion on the district's financial statements.
- To review internal controls over selected financial operations.
- To determine compliance with finance-related legal requirements.

Audit Period: The fiscal year ended December 31, 2008

Areas Audited:
- Cash and Investments
- Inventory and Fixed Assets
- Operating Expenses
- Receipts
- Payroll Expenses

Metropolitan Mosquito Control District

Agency Overview

The Metropolitan Mosquito Control District is responsible for controlling mosquitoes, black flies, and ticks in the seven-county Twin Cities metropolitan area.[1] The district was established by the Minnesota Legislature in 1958 and operates under *Minnesota Statutes* 2008, 473.701 – 473.716.

The district is governed by the Metropolitan Mosquito Control Commission (commission) composed of 18 county commissioners from the seven metropolitan counties. The commission sets the annual budget, develops policies, and oversees the district's operations. The district is exempt from the finance-related rules and regulations applicable to most state agencies.

Ms. Myra Peterson was selected the chair of the commission during 2008, succeeding Ms. Penny Steele. The commission appoints the executive director who directs the district's operations and carries out the policies established by the commission. James Stark is the executive director of the Metropolitan Mosquito Control District.

The district realized a net gain of over $2.2 million in 2008. It had $17.8 million in operating revenues earned chiefly through property taxes assessed to homeowners within the seven-county metropolitan area. The district spent $15.5 million on operations during the year ended December 31, 2008. The most significant expenses included about $14.6 million for direct mosquito control expenditures, which included wages, inventory, and the costs of applying materials through a contracted helicopter service. The district's administrative costs were approximately $900,000.

The district had net assets of approximately $25.2 million at December 31, 2008. Cash and investments totaled about $16.1 million and capital assets, net of depreciation, totaled about $9.7 million. Leases payable of $2.2 million and accounts and benefits payable of just over $1.1 million represented the district's largest liabilities.

[1] Counties included in the district are Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

Objectives, Scope, and Methodology

Our audit of the district's financial statements focused on the following objective, which included the consideration of internal controls and compliance with significant legal requirements over financial reporting:

- Were the district's basic financial statements for the year ended December 31, 2008, fairly presented in accordance with generally accepted accounting principles in all material respects?

In addition to the financial statement objective, we considered these objectives:

- Were the district's internal controls over revenues, payroll expenses, administrative expenses, cash and investments, and inventory and fixed assets adequate to ensure that it safeguarded receipts and other assets, accurately paid employees and vendors in accordance with management's authorization, and complied with significant finance-related legal requirements?

- For the items tested, did the district comply with significant finance-related legal requirements, including any applicable state laws, regulations, contracts, and commission policies and procedures?

To answer these questions, we reviewed the accounting principles applicable to the district's financial statements. We gained an understanding of the district's accounting policies and procedures and the business systems used to administer its financial activities and to prepare the financial statements. We obtained and analyzed electronic accounting data and other audit evidence and reconciled the supporting data to the district's accounting system. We interviewed district staff to gain an understanding of the internal controls related to the district's financial operations. In determining our audit approach, we considered the risk of errors in the accounting records and potential noncompliance with finance-related legal requirements. In addition, we selected a sample of financial transactions and reviewed supporting documentation to test whether the district's controls were effective and if the transactions complied with laws, regulations, policies, and grant and contract provisions.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We used various criteria to evaluate internal controls and compliance. We used the guidance contained in the *Internal Control-Integrated Framework*, published by the Committee of Sponsoring Organizations of the

Treadway Commission, as our criteria to evaluate the district's controls.[2] We also used state laws, regulations, and contracts, as well as the district's internal policies and procedures as evaluation criteria over compliance.

Conclusions

The district's financial statements for the year ended December 31, 2008, were fairly presented in accordance with generally accepted accounting principles in all material respects.

We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses.[3] In addition, the results of our tests of legal requirements disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Given the limited nature of our audit work on the financial statements, we do not express an overall opinion on the effectiveness of the commission's internal controls or compliance over financial reporting. In addition, our work may not have identified all significant control deficiencies or instances of noncompliance with legal requirements.

In relation to our additional objectives, the district had adequate controls over revenues, payroll expenses, administrative expenses, cash and investments, inventory and fixed assets, and complied with the finance-related legal requirements we tested.

[2] The Treadway Commission and its Committee of Sponsoring Organizations were established in 1985 by the major national associations of accountants. One of their primary tasks was to identify the components of internal control that organizations should have in place to prevent inappropriate financial activity. The resulting Internal Control-Integrated Framework is the accepted accounting and auditing standard for internal control design and assessment.

[3] According to auditing standards, a control deficiency is significant if there is more than a remote likelihood that a consequential misstatement to the financial statements could occur and not be prevented or detected by internal controls. A significant control deficiency elevates to a material weakness if there is more than a remote likelihood that a material misstatement would not be detected.