

**METROPOLITAN MOSQUITO CONTROL COMMISSION  
FINANCIAL AND COMPLIANCE AUDIT  
FOR THE YEAR ENDED DECEMBER 31, 1987**

**AUGUST 1988**



METROPOLITAN MOSQUITO CONTROL DISTRICT

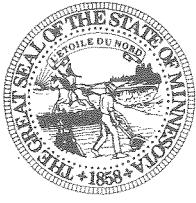
TABLE OF CONTENTS

	<u>Page</u>
<b>FINANCIAL SECTION</b>	
Auditor's Opinion. . . . .	1
Financial Statements	
Exhibit A - Combined Balance Sheet . . . . .	2
Exhibit B - Statements of Revenues, Expenditures and Changes in Fund Balance. . . . .	3
Exhibit C - Statements of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual . . . . .	4
Exhibit D - Notes to the Financial Statements. . . . .	6
 <b>MANAGEMENT LETTER SECTION</b>	
Management Letter. . . . .	17
I. Status of Prior Audit Recommendation. . . . .	19



**METROPOLITAN MOSQUITO CONTROL COMMISSION  
FINANCIAL SECTION**





STATE OF MINNESOTA

OFFICE OF THE LEGISLATIVE AUDITOR

VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

Mr. John Voss, Chairman  
Metropolitan Mosquito Control Commission

Mr. Robert Sjogren, Ph.D., Director  
Metropolitan Mosquito Control District

Members of the Metropolitan Mosquito Control Commission

We have audited the accompanying balance sheet of the Metropolitan Mosquito Control District as of December 31, 1987, and the related statements of revenues, expenditures and changes in fund balance for the two years then ended. These financial statements are the responsibility of the Metropolitan Mosquito Control District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Metropolitan Mosquito Control District at December 31, 1987, and the results of its operations and the changes in its fund balance for the two years then ended, in conformity with generally accepted accounting principles.

  
James R. Nobles  
Legislative Auditor

April 27, 1988

  
John Asmussen, CPA  
Deputy Legislative Auditor

## METROPOLITAN MOSQUITO CONTROL DISTRICT

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS

DECEMBER 31, 1987

<u>ASSETS</u>	<u>Governmental Fund Type</u>	<u>ACCOUNT GROUPS</u>			<u>TOTALS</u>	
		General	General	<u>(Memorandum only)</u>	<u>December 31,</u>	
		Fixed Assets	Long-term Debt		<u>1987</u>	<u>1986</u>
Cash		7,555,794		\$ 7,555,794	\$3,757,305	
Prepaid Rent		14,622		14,622		
Taxes Receivable: (net of allowance for uncollectible taxes of \$15,000)		597,341		597,341	495,850	
Inventory at cost		1,276,410		1,276,410	1,963,983	
Property and Equipment			\$1,713,649	1,713,649	1,609,733	
Building			260,321	260,321	259,069	
Amount to be provided for Employee Benefits				\$ 254,228	254,228	223,323
Total Assets		<u>\$9,444,167</u>	<u>\$1,973,970</u>	<u>\$ 254,228</u>	<u>\$11,672,365</u>	<u>\$8,309,263</u>
<u>LIABILITIES AND FUND EQUITY</u>						
Liabilities:						
Accounts Payable		\$ 161,067		\$ 161,067	\$ 121,741	
Accrued Salary and Wages		49,521		49,521	38,802	
Employee Benefits Payable		6,795		\$ 254,228	261,023	234,478
Deferred Revenue		<u>446,366</u>		<u>446,366</u>	<u>379,744</u>	
Total Liabilities		<u>\$ 663,749</u>		<u>\$ 254,228</u>	<u>\$ 917,977</u>	<u>\$ 774,765</u>
Fund Equity:						
Investment in general fixed assets			\$1,973,970		\$ 1,973,970	\$1,868,802
Fund Balance:						
Reserved for Inventory		\$1,276,410			1,276,410	1,963,983
Reserved for Hennepin County Property Tax Tier II		1,008,445			1,008,445	1,089,880
Unreserved Fund Balance		<u>6,495,563</u>			<u>6,495,563</u>	<u>2,611,833</u>
Total Fund Equity		<u>\$8,780,418</u>	<u>\$1,973,970</u>		<u>\$10,754,388</u>	<u>\$7,534,498</u>
Total Liabilities and Fund Equity		<u>\$9,444,167</u>	<u>\$1,973,970</u>	<u>\$ 254,228</u>	<u>\$11,672,365</u>	<u>\$8,309,263</u>

The accompanying notes are an integral part of the financial statements.

## Exhibit B

METROPOLITAN MOSQUITO CONTROL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GENERAL FUND  
 Years Ended December 31, 1987 and 1986

	<u>1987</u>	<u>1986</u>
<b>Revenues:</b>		
Taxes -		
Anoka County	\$ 586,571	\$ 500,754
Carver County	82,485	73,352
Dakota County	831,026	658,912
Hennepin County	5,179,138	4,883,900
Ramsey County	1,579,525	1,336,655
Scott County	168,804	136,555
Washington County	425,688	372,104
Tax Delinquent Income	134,841	214,080
Miscellaneous	<u>299,071</u>	<u>91,740</u>
Total Revenues	<u>\$ 9,287,149</u>	<u>\$ 8,268,052</u>
<b>Expenditures:</b>		
Board of Commissioners -		
Salaries	\$ 13,100	\$ 14,150
Travel	3,292	3,309
Administrative	384,537	386,815
Control	5,463,301	5,452,141
Capital Expenditures	<u>308,197</u>	<u>179,015</u>
Total Expenditures	<u>\$ 6,172,427</u>	<u>\$ 6,035,430</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 3,114,722</u>	<u>\$ 2,232,622</u>
Fund Balance at beginning of year	<u>\$ 5,665,696</u>	<u>\$ 3,433,073</u>
Fund Balance at end of year	<u>\$ 8,780,418</u>	<u>\$ 5,665,696</u>

The accompanying notes are an integral part of the financial statements.

## METROPOLITAN MOSQUITO CONTROL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUALGENERAL FUND  
Year Ended December 31, 1987

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Taxes -			
Anoka County	\$ 597,846	\$ 586,571	\$ (11,275)
Carver County	82,949	82,485	(464)
Dakota County	847,130	831,026	(16,104)
Hennepin County	5,297,138	5,179,138	(118,000)
Ramsey County	1,620,063	1,579,525	(40,538)
Scott County	173,531	168,804	(4,727)
Washington County	436,055	425,688	(10,367)
Tax Delinquent Income		134,841	134,841
Miscellaneous		299,071	299,071
<b>Total Revenues</b>	<b>\$ 9,054,712</b>	<b>\$ 9,287,149</b>	<b>\$ 232,437</b>
<b>Expenditures:</b>			
Board of Commissioners -			
Salaries	\$ 14,600	\$ 13,100	\$ 1,500
Travel	6,400	3,292	3,108
Administrative	457,522	384,537	72,985
Control	8,896,650	5,463,301	3,433,349
Capital Expenditures	324,800	308,197	16,603
<b>Total Expenditures</b>	<b>\$ 9,699,972</b>	<b>\$ 6,172,427</b>	<b>\$ 3,527,545</b>
Excess (deficiency) of revenues over expenditures	<b>\$ (645,260)</b>	<b>\$ 3,114,722</b>	<b>\$ 3,759,982</b>
Fund Balance at beginning of year	<b>\$ 5,665,696</b>	<b>\$ 5,665,696</b>	<b>-----</b>
Fund Balance at end of year	<b>\$ 4,375,176</b>	<b>\$ 8,780,418</b>	<b>\$ 3,759,982</b>

The accompanying notes are an integral part of the financial statements.

## Exhibit C

## METROPOLITAN MOSQUITO CONTROL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUALGENERAL FUND  
Year Ended December 31, 1986

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Revenues:</b>			
Taxes -			
Anoka County	\$ 512,672	\$ 500,754	\$ (11,918)
Carver County	73,239	73,352	113
Dakota County	699,099	658,912	(40,187)
Hennepin County	5,035,547	4,883,900	(151,647)
Ramsey County	1,384,882	1,336,655	(48,227)
Scott County	139,820	136,555	(3,265)
Washington County	379,511	372,104	(7,407)
Tax Delinquent Income		214,080	214,080
Miscellaneous		91,740	91,740
<b>Total Revenues</b>	<b>\$ 8,224,770</b>	<b>\$ 8,268,052</b>	<b>\$ 43,282</b>
<b>Expenditures:</b>			
Board of Commissioners -			
Salaries	\$ 14,600	\$ 14,150	\$ 450
Travel	6,400	3,309	3,091
Administrative	413,475	386,815	26,660
Control	6,912,280	5,452,141	1,460,139
Capital Expenditures	308,925	179,015	129,910
<b>Total Expenditures</b>	<b>\$ 7,655,680</b>	<b>\$ 6,035,430</b>	<b>\$ 1,620,250</b>
Excess (deficiency) of revenues over expenditures	\$ 569,090	\$ 2,232,622	\$ 1,663,532
Fund Balance at beginning of year	\$ 3,433,073	\$ 3,433,073	
Fund Balance at end of year	<u>\$ 4,002,163</u>	<u>\$ 5,665,696</u>	<u>\$ 1,663,532</u>

The accompanying notes are an integral part of the financial statements.

METROPOLITAN MOSQUITO CONTROL DISTRICT

NOTES TO FINANCIAL STATEMENTS  
December 31, 1987

1. REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Metropolitan Mosquito Control District was established under Minnesota Laws 1959, Chapter 488 (Coded Minn. Stat. Sections 473.701 to 473.716). The District operates under the Metropolitan Mosquito Control Commission representing the seven county metropolitan area. It was created to control mosquitoes and black gnats in the metropolitan area, which consists of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington Counties. A director is responsible for the supervision of the District and reports to the Commission. As provided by Minn. Stat. Section 473.129, Subd. 6, a member of the Metropolitan Council is appointed to serve as a non-voting member of the Mosquito Control Commission. Currently, this member does not attend meetings, but does receive a copy of all Commission meeting minutes. For financial reporting purposes, the Commission is not considered part of the Metropolitan Council.

Significant Accounting Policies

This summary of significant accounting policies of the Metropolitan Mosquito Control District is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the District's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standard Board and have been consistently applied in the preparation of the financial statements.

A. Basis of Presentation

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The fund and account groups maintained are presented as follows:

Governmental Fund

General Fund - The General Fund is the general operating fund of the District and is used to account for all financial activities.

Account Groups

General Fixed Assets Account Group - The General Fixed Assets group of accounts is used to account for all fixed assets of the District.

General Long-Term Debt Account Group - The General Long-Term Debt group of accounts contains the long-term obligations of the District represented by employee benefit obligations.

## B. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Revenues and expenditures are recognized on the modified accrual basis as follows:

Revenue Recognition - Revenues are recognized when they are earned or when they become measurable and available.

Expenditure Recognition - Expenditures are generally recognized when the related liability is incurred. An exception to this general rule is the long-term portion of employee benefits for unused sick and vacation leave. Also, consumable inventory items are recognized as expenditures in the period used, rather than in the period purchased.

## C. Budgets and Budgetary Accounting

The Commission adopts an annual budget for the General Fund for the fiscal year commencing the following January. The budget is prepared on the modified accrual basis of accounting which is consistent with generally accepted accounting principles (GAAP). It includes the amounts that can be expended based on detailed budget estimates for individual expenditure accounts and the related anticipated revenues, as shown in the basic financial statements and supplementary information.

MMCD is limited by Minn. Stat. Section 473.711 to provide for expenditures not exceeding six-tenths of one mill times the current assessed valuation of the District. The Commission may levy a tax not to exceed six-tenths of one mill on all taxable property in the District to provide for its operations.

All budget amounts lapse at the end of the year to the extent they have not been expended or encumbered.

## D. Deposits

All deposits are in a single financial institution and are carried at cost plus accrued interest. The carrying amount of deposits is separately displayed on the balance sheet as "Cash." Minn. Stat. Section 118.01 requires that deposits by municipalities, including special districts, be secured by depository insurance or a combination of depository insurance and collateral security. The statute further requires the total collateral computed at its fair market value shall be at least 10 percent more than the amount on deposit in excess of any insured portion. The MMCD's deposits at year-end were appropriately covered by federal depository insurance and by collateral held by First Bank Security N.A. in MMCD's name.

**E. Inventory**

Inventory is stated at the lower of cost (first-in, first-out method) or market. It consists of expendable supplies held for consumption in the next operating year.

**F. Fixed Assets and Real Property**

Fixed assets and real property are stated at cost. The costs of fixed assets and real property, which are purchased from current revenue, are accounted for as expenditures in the year paid.

Depreciation is not provided in the District's accounts because it does not constitute a current budgetary expenditure.

**G. Amount to be Provided for Employee Benefits**

Resources for the payment of employee benefits included in the General Long-Term Debt group of accounts will be provided by the General Fund.

**H. Comparative Data**

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operation.

**I. Total Columns on Statements**

Total columns on the statements are captioned "Memorandum Only" to indicate they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Such data also is not comparable to a consolidation.

**J. Property Taxes**

Property tax levies are set by the Commission of Revenue, acting as the State Board of Equalization, and based on the budget established by MMCD. The levies are certified to Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington Counties. The levies are limited to six-tenths of one mill in each of the Counties.

Property taxes are payable in equal installments by real property owners to the counties on May 15 and October 15. In general, the counties remit the collection to MMCD after each payment date.

Taxes payable on homestead property are partially reduced by a homestead credit. This credit is paid to MMCD by the state

in lieu of taxes levied against homestead property. The state remits this credit in two equal installments in July and December each year.

## 2. GENERAL FIXED ASSETS

A summary of changes in general fixed assets as of December 31, 1987 follows:

	<u>Motor Vehicles</u>	<u>Furniture and Equipment</u>	<u>Total</u>
Balance			
Jan. 1, 1987	<u>\$1,221,196</u>	<u>\$ 388,537</u>	<u>\$1,609,733</u>
Items previously misallocated	(19,216)	19,216	306,965
Additions	<u>213,720</u>	<u>93,245</u>	<u>1,916,678</u>
	1,415,700	500,998	
Deletions	<u>(163,055)</u>	<u>(39,994)</u>	<u>(203,049)</u>
Balance			
Dec. 31, 1987	<u>\$1,252,645</u>	<u>\$ 461,004</u>	<u>\$1,713,649</u>

## 3. BUILDING

The Anoka County District Headquarters has been constructed with cost shown on the balance sheet as \$ 260,329. The land is owned by Anoka County and is being leased for \$1 per year for 99 years. Should the District break the lease, Anoka County is to purchase the building at its depreciated value as calculated by using 20 years straight-line depreciation.

## 4. CHANGES IN LONG-TERM DEBT

The following is a summary of employee benefit transactions of the Metropolitan Mosquito Control District for the year ended December 31, 1987.

	<u>Total</u>
Employee benefits payable at Jan. 1, 1987	\$ 234,479
Portion currently payable in 1987	(11,156)
Long term employee benefits payable at	
Jan. 1, 1987	223,323
Net change in compensated absences	30,905
Long term employee benefits payable at	<u>\$ 254,228</u>
Dec. 31, 1987	

## 5. COMPENSATED ABSENCES

Compensated absences consist of vested employee vacation and sick leave benefits. These benefits are determined based on a formula with a maximum amount of hours accumulated and are payable upon death, termination or retirement. The current

portion of this liability is reflected in the General Fund, and the long term portion is reflected in the General Long-Term Debt group of accounts.

6. DEFERRED REVENUE

The deferred revenue balance at December 31, 1987 was \$446,366, consisting of taxes receivable which are not expected to be collected within 60 days as required by NCGA Interpretation 3.

7. LEASES

Operating leases consist of rental of various county headquarters and administrative offices. It is expected that, in the normal course of business, expiring leases will be renewed or replaced by leases on other properties.

The following is a yearly schedule of future minimum rental payments under operating leases:

1988	232,395
1989	169,088
1990	166,853
1991	<u>75,379</u>
Total minimum lease payments	<u>\$ 643,715</u>

Total rental expense including short-term, seasonal equipment vehicles is as follows:

1986	309,589
1987	364,014

8. RETIREMENT PLAN

A. Plan Description

The full-time and certain part-time employees of the District are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA administers the Public Employees Retirement Fund and the Public Employees Police and Fire Fund which are cost-sharing multiple-employer public employee retirement systems. The payroll for employees covered by PERA plans for the year ended December 31, 1987 was \$1,466,872.44; the District's total payroll was \$2,084,396.11.

All full-time employees and certain part-time employees are eligible to participate in the PERA plans. Public Employees Retirement Fund members belong to either the Coordinated Fund or the Basic Fund. Coordinated members are covered by Social Security and Basic members are not. The PERA plans provide pension benefits, deferred annuity, and death and disability benefits. Benefits are established by State statute.

Retirement benefits for members of the Basic and Coordinated Funds are as follows:

1. When age plus years of service equal 90, the full unreduced normal annuity is payable.
2. As early as age 55 with at least 5 years of paid service credit; annuity reduced 1/4 percent for each month under age 65.
3. Any age with at least 30 years, reduced by 1/4 percent for each month under age 62.
4. Age 65 or older with at least one but less than 5 years of paid service credit (proportionate annuity). Must terminate service at age 65 or older.
5. Age 55 with at least 5 years of paid service credit or any age with at least 30 years representing PERA service combined with other fund coverage.

A member who terminates public service with five or more years of credited allowable service may leave his or her amount in the fund to qualify for an annuity at retirement age. The annuity as determined under the formula will be increased from the first of the month following date of termination at prescribed interest rates. The former member may accept a refund at any time prior to the date retirement annuity begins.

The funds also provide various death and disability benefits, whereby the disabled employee or surviving spouse is entitled to receive amounts determined as defined by the funds.

#### B. Contributions Required and Made

Covered employees are required by State statute to contribute fixed percentages of their gross earnings to the pension plans. The District makes annual contributions to the pension plans equal to the amount required by state statutes. Current contribution rates for the plans are as follows:

	Employee	Employer	Additional Employer
Public Employees			
Retirement Fund:			
Basic Fund	8%	8%	2 1/2%
Coordinated Fund	4%	4%	1/4%

Total contributions made during fiscal year 1987 amounted to \$136,334.99 of which \$71,682.34 was made by the District and \$64,652.65 was made by the employees. These contributions represented 52.6 percent (District) and 47.4 percent (employees) of the covered payroll.

### C. Funding Status and Progress

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the PERA's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among Public Employees Retirement Systems and employers. The PERA does not make separate measurements of assets and pension benefit obligation for individual employers.

The pension benefit obligations of the PERA as of June 30, 1987 were as follows:

	Public Employees Retirement Fund
Total pension benefit obligations	\$2,839,047,000
Net assets available for benefits, at market	<u>2,608,691,000</u>
Unfunded pension benefit obligation	<u>\$ 230,356,000</u>

The actuarial calculations of annual contributions include amounts that would be required to achieve full (100 percent) funding by the year 2009.

The measurement of the pension benefit obligation is based actuarial valuation as of June 30, 1987. Net assets available to pay pension benefits were valued as of June 30, 1987.

The District's contribution for the year ended June 30, 1987 to PERA plans represented 0.089 percent of total contributions required of all participating entities.

Ten-year historical trend information is presented in PERA's State PERS Comprehensive Annual Financial Report for the year ended June 30, 1987. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

### D. Related Party Investments

During 1987 and as of June 30, 1987, PERA held no securities issued by the District or other related parties.

9. **PATENT**

The District has received a patent from the U.S. Patent Office. To date no royalties have been collected from the patent. When royalties from the patent are collected, 33 1/3 percent will be given to the Director. If he terminates employment, he will be entitled to 25 percent for the duration of the patent. The patent is for the process currently used for manufacturing insecticide briquets. The District has licensed rights to manufacture the briquets to a private company, and revenue will accrue to the District from the sale.



## **METROPOLITAN MOSQUITO CONTROL COMMISSION MANAGEMENT LETTER SECTION**

### **AUDIT PARTICIPATION**

The following members of the Office of the Legislative Auditor prepared this management letter:

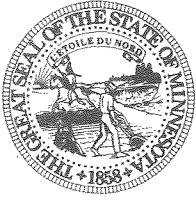
John Asmussen, CPA	Deputy Legislative Auditor
Warren Bartz, CPA	Audit Manager
Judy Jensen, CPA	Auditor-in-Charge
Chris Buse	Staff Auditor

### **EXIT CONFERENCE**

The finding and recommendation in this management letter was discussed with the following commission members and staff of the Metropolitan Mosquito Control District on June 10, 1987:

John Voss	Chairman
Robert Sjogren, Ph.D.	Director
William Caesar	Business Administrator
Trish Cooper	Account Clerk





STATE OF MINNESOTA

**OFFICE OF THE LEGISLATIVE AUDITOR**

VETERANS SERVICE BUILDING, ST. PAUL, MN 55155 • 612/296-4708

JAMES R. NOBLES, LEGISLATIVE AUDITOR

---

Representative Phillip J. Riveness, Chairman  
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. John Voss, Chairman  
Metropolitan Mosquito Control Commission

Members of the Metropolitan Mosquito Control Commission

Robert Sjogren, Ph.D., Director  
Metropolitan Mosquito Control District

**Audit Scope**

We have completed a financial and compliance audit of the Metropolitan Mosquito Control District (MMCD) for the year ended December 31, 1987. Our audit was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, and accordingly, included such audit procedures as we considered necessary in the circumstances. Field work was completed on April 28, 1988.

The objectives of the audit were to:

- express an opinion on the financial statements of MMCD for the year ended December 31, 1987;
- study and evaluate internal accounting control systems over revenues, expenses, assets, and liabilities;
- verify that financial transactions were made in accordance with applicable laws, regulations, and policies, including Minn. Stat. Sections 473.701 through 473.716, and other finance-related legal provisions; and
- determine the status of the prior audit recommendation.

**Management Responsibilities**

The management of MMCD is responsible for establishing and maintaining a system of internal accounting control. The objectives of the system are to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and are recorded properly. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures.

Representative Phillip J. Riveness, Chairman  
Members of the Legislative Audit Commission  
Mr. John Voss, Chairman  
Members of the Metropolitan Mosquito Control Commission  
Robert Sjogren, Ph.D., Director  
Page 2

Due to inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

The management of MMCD is also responsible for the agency's compliance with laws and regulations. In connection with our audit, we selected and tested transactions and records from the programs administered by MMCD. The purpose of our testing of transactions was to obtain reasonable assurance that MMCD had, in all material respects, administered its programs in compliance with applicable laws and regulations.

#### Conclusions

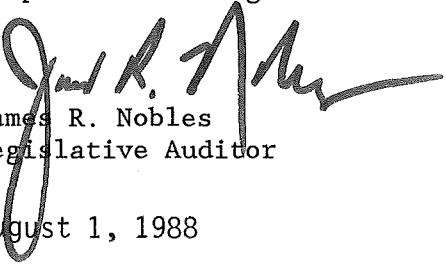
We have issued an unqualified opinion on the Metropolitan Mosquito Control District's financial statements for the year ended December 31, 1987. Our opinion, dated April 27, 1988, is included in the financial section of this report.

In our opinion, the MMCD system of internal accounting control in effect on April 27, 1988, taken as a whole, was sufficient to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization.

In our opinion, for the year ended December 31, 1987, MMCD complied in all material respects, with applicable finance-related laws, regulations and policies.

Section I of this audit report provides a summary of the progress made to implement the audit recommendation discussed in our last audit report covering the fiscal year ended December 31, 1986, dated June 1, 1987.

We thank the Metropolitan Mosquito Control District staff for their cooperation during this audit.

  
James R. Nobles  
Legislative Auditor

August 1, 1988

  
John Asmussen, CPA  
Deputy Legislative Auditor

METROPOLITAN MOSQUITO CONTROL DISTRICT

I. STATUS OF PRIOR AUDIT RECOMMENDATION  
AND  
PROGRESS TOWARD IMPLEMENTATION

Perpetual fixed asset inventory records need to be reconciled to the general ledger.

1. MMCD should reconcile the perpetual inventory record to the general ledger balance on a regular basis and make any necessary adjustments to either record.

**RECOMMENDATION IMPLEMENTED.** MMCD reconciled the perpetual inventory records to the general ledger balance for the year ended December 31, 1987. This will be done on an annual basis.