

**METROPOLITAN MOSQUITO CONTROL DISTRICT
FINANCIAL AND COMPLIANCE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 1988**

JULY 1989

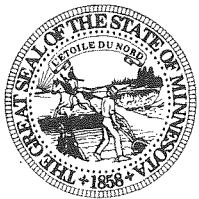
**Financial Audit Division
Office of the Legislative Auditor
State of Minnesota**

METROPOLITAN MOSQUITO CONTROL DISTRICT

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION	
Auditor's Opinion.	A
Financial Statements	
Exhibit A - Combined Balance Sheet	1
Exhibit B - Statement of Revenues, Expenditures and Changes in Fund Balance.	2
Exhibit C - Statement of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual - 1988.	3
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual - 1987.	4
Exhibit E - Notes to the Financial Statements.	5
MANAGEMENT LETTER SECTION	
Management Letter.	15

**METROPOLITAN MOSQUITO CONTROL DISTRICT
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

Independent Auditor's Report

Mr. Jeff Spartz, Chairman
Metropolitan Mosquito Control Commission

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

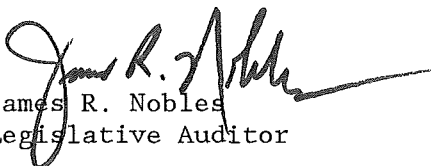
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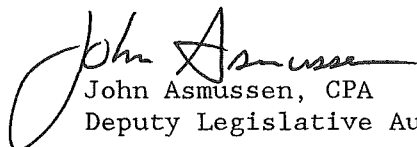
Members of the Metropolitan Mosquito Control Commission

We have audited the accompanying balance sheet of the Metropolitan Mosquito Control District as of December 31, 1988, 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, 1988, 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


John Asmussen, CPA
Deputy Legislative Auditor

April 14, 1989

METROPOLITAN MOSQUITO CONTROL DISTRICT

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS

DECEMBER 31, 1988

	Governmental Fund Type General	ACCOUNT GROUPS		TOTALS	
		General	General	(Memorandum only)	
		Fixed Assets	Long-term Debt	December 31,	
ASSETS				1988	1987
Cash	\$11,791,752			\$11,791,752	\$ 7,555,794
Prepaid Rent	15,492			15,492	14,622
Taxes Receivable: (net of allowance for uncollectible taxes of \$15,000)	710,267			710,267	597,341
Inventory at cost	1,368,511			1,368,511	1,276,410
Property and Equipment		\$1,904,898		1,904,898	1,713,649
Building		262,730		262,730	260,321
Amount to be provided for Employee Benefits			\$ 246,773	246,773	254,228
Total Assets	<u>\$13,886,022</u>	<u>\$2,167,628</u>	<u>\$ 246,773</u>	<u>\$16,300,423</u>	<u>\$11,672,365</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities:					
Accounts Payable	\$ 116,977			\$ 116,977	\$ 161,067
Accrued Salary and Wages	60,233			60,233	49,521
Employee Benefits Payable	16,053		\$ 246,773	262,826	261,023
Deferred Revenue	580,176			580,176	446,366
Total Liabilities	<u>\$ 773,439</u>		<u>\$ 246,773</u>	<u>\$ 1,020,212</u>	<u>\$ 917,977</u>
Fund Equity:					
Investment in general fixed assets		\$2,167,628		\$ 2,167,628	\$ 1,973,970
Fund Balance:					
Reserved for Inventory	\$ 1,368,511			1,368,511	1,276,410
Reserved for Hennepin County Property Tax Tier II	1,319,593			1,319,593	1,008,445
Unreserved Fund Balance (See designation for Building Project, in footnotes)	<u>10,424,479</u>			<u>10,424,479</u>	<u>6,495,563</u>
Total Fund Equity	<u>\$13,112,583</u>	<u>\$2,167,628</u>		<u>\$15,280,211</u>	<u>\$10,754,388</u>
Total Liabilities and Fund Equity	<u>\$13,886,022</u>	<u>\$2,167,628</u>	<u>\$ 246,773</u>	<u>\$16,300,423</u>	<u>\$11,672,365</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, 1988 and 1987

	<u>1988</u>	<u>1987</u>
Revenues:		
Taxes -		
Anoka County	\$ 647,255	\$ 586,571
Carver County	89,353	82,485
Dakota County	863,923	831,026
Hennepin County	5,435,526	5,179,138
Ramsey County	1,659,022	1,579,525
Scott County	160,132	168,804
Washington County	464,853	425,688
Tax Delinquent Income	112,349	134,841
Miscellaneous	604,676	299,071
Total Revenues	<u>\$10,037,089</u>	<u>\$ 9,287,149</u>
Expenditures:		
Board of Commissioners -		
Salaries	\$ 12,300	\$ 13,100
Travel	5,599	3,292
Administrative	425,747	384,537
Control	4,921,225	5,463,301
Capital Expenditures	340,053	308,197
Total Expenditures	<u>\$ 5,704,924</u>	<u>\$ 6,172,427</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 4,332,165</u>	<u>\$ 3,114,722</u>
Fund Balance at beginning of year	<u>\$ 8,780,418</u>	<u>\$ 5,665,696</u>
Fund Balance at end of year	<u>\$13,112,583</u>	<u>\$ 8,780,418</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, 1988

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Taxes -			
Anoka County	\$ 656,603	\$ 647,255	\$ (9,348)
Carver County	89,355	89,353	(2)
Dakota County	888,476	863,923	(24,553)
Hennepin County	5,550,910	5,435,526	(115,384)
Ramsey County	1,739,971	1,659,022	(80,949)
Scott County	168,055	160,132	(7,923)
Washington County	472,854	464,853	(8,001)
Tax Delinquent Income		112,349	112,349
Miscellaneous		604,676	604,676
Total Revenues	<u>\$ 9,566,224</u>	<u>\$10,037,089</u>	<u>\$ 470,865</u>
Expenditures:			
Board of Commisioners -			
Salaries	\$ 14,600	\$ 12,300	\$ 2,300
Travel	6,400	5,599	801
Administrative	440,970	425,747	15,223
Control	8,502,640	4,921,225	3,581,415
Capital Expenditures	377,800	340,053	37,747
Total Expenditures	<u>\$ 9,342,410</u>	<u>\$ 5,704,924</u>	<u>\$ 3,637,486</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 223,814</u>	<u>\$ 4,332,165</u>	<u>\$ 4,108,351</u>
Fund Balance at beginning of year	<u>\$ 8,780,418</u>	<u>\$ 8,780,418</u>	<u> </u>
Fund Balance at end of year	<u>\$ 9,004,232</u>	<u>\$13,112,583</u>	<u>\$ 4,108,351</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 ACTUAL

GENERAL FUND

Year Ended December 31, 1987

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
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
Total Revenues	<u>\$ 9,054,712</u>	<u>\$ 9,287,149</u>	<u>\$ 232,437</u>
Expenditures:			
Board of Commisioners -			
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
Total Expenditures	<u>\$ 9,699,972</u>	<u>\$ 6,172,427</u>	<u>\$ 3,527,545</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (645,260)</u>	<u>\$ 3,114,722</u>	<u>\$ 3,759,982</u>
Fund Balance at beginning of year	<u>\$ 5,665,696</u>	<u>\$ 5,665,696</u>	<u> </u>
Fund Balance at end of year	<u>\$ 4,375,176</u>	<u>\$ 8,780,418</u>	<u>\$ 3,759,982</u>

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

METROPOLITAN MOSQUITO CONTROL DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 1988

1. ORGANIZATION 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. The method of levy calculation will change in the 1989 audit period.

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, First Bank Security N.A., 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 are secured by federal depository insurance and by collateral held by First Bank Security N.A. in MMCD's name.

E. Inventory

Inventory is stated at cost using the first-in, first-out method. 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 Commissioner 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, 1988 follows:

	<u>Motor Vehicles</u>	<u>Furniture and Equipment</u>	<u>Total</u>
Balance			
Jan. 1, 1988	<u>\$1,252,645</u>	<u>\$ 461,004</u>	<u>\$1,713,649</u>
Additions	<u>262,596</u>	<u>75,048</u>	<u>337,644</u>
	1,515,241	536,052	2,051,293
Deletions	<u>(140,147)</u>	<u>(6,248)</u>	<u>(146,395)</u>
Balance			
Dec. 31, 1988	<u>\$1,375,094</u>	<u>\$ 529,804</u>	<u>\$1,904,898</u>

3. BUILDING

A. Headquarters

The Anoka County District Headquarters has been constructed with cost shown on the balance sheet as \$ 262,730. 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. This facility was completed in 1985.

B. Building Project

The District has entered into a headquarters building program as part of its five year development program and has designated \$3,000,000 of the fund balance for this project. Most of the current headquarters are rented (see footnote 7 below, LEASES). The quality of the current facilities is

inconsistent and rents are expected to increase as space needs increase. The Commission plans to upgrade and standardize eight headquarters. The project will start in 1989 and completion is expected by 1992.

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, 1988.

	<u>Total</u>
Employee benefits payable at Jan. 1, 1988	\$ 261,023
Portion currently payable in 1988	<u>(6,795)</u>
Long term employee benefits payable at Jan. 1, 1988	254,228
Net change in compensated absences	<u>(7,455)</u>
Long term employee benefits payable at Dec. 31, 1988	<u>\$ 246,773</u>

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, 1988 was \$580,176, 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. The District plans to own headquarter facilities in the future (see footnote 3.B. above, Building Project).

The following is a yearly schedule of future minimum rental payments under operating leases (including base rent, property taxes and operating costs):

1989	\$ 291,084
1990	195,526
1991	<u>70,116</u>
Total minimum lease payments	<u>\$ 556,726</u>

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

1987	364,014
1988	367,866

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, 1988 was \$1,588,099.70; the District's total payroll was \$2,252,482.55.

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 Plan	8%	8%	2 1/2%
Coordinated Plan	4%	4%	1/4%

Total contributions made during fiscal year 1988 amounted to:

	Employee	Employer
Public Employees		
Retirement Fund:		
Basic Plan	\$11,974.76	\$15,716.98
Coordinated Plan	<u>57,515.23</u>	<u>61,109.72</u>
Totals	<u>\$69,489.99</u>	<u>\$76,826.70</u>

The District's contribution for the year ended June 30, 1988 to PERA plans represented 0.10 percent of total contributions required of all participating entities.

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, 1988 were as follows:

Public
Employees
Retirement
Fund

Total pension benefit obligations	\$3,334,423,000
Net assets available for benefits, at cost (market value is \$2,749,289,000)	<u>2,610,913,000</u>
Unfunded pension benefit obligation	<u>\$ 723,510,000</u>

The actuarial calculations of annual contributions include amounts that would be required to achieve full (100 percent) funding by the year 2010.

The measurement of the pension benefit obligation is based actuarial valuation as of June 30, 1988. Net assets available to pay pension benefits were valued as of June 30, 1988.

Ten-year historical trend information is presented in PERA's State PERS Comprehensive Annual Financial Report for the year ended June 30, 1988. 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 1988 and as of June 30, 1988, PERA held no securities issued by the District or other related parties.

9. PATENT

The District has received two patents from the U.S. Patent Office. To date no royalties have been collected from the patents. When royalties from the patents 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 patents. The patents are 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. The first patent was issued on June 2, 1987; the second on March 22, 1988.

10. TIER II HENNEPIN COUNTY

The fund balance includes a reserve for Hennepin County property tax Tier II of \$1,319,593. Hennepin County has levied an amount in addition to the Tier I levy to be used for increased service to Hennepin County. These funds will be used to provide Tier II service in subsequent periods.

METROPOLITAN MOSQUITO CONTROL DISTRICT

MANAGEMENT LETTER SECTION

AUDIT PARTICIPATION

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

John Asmussen, CPA
Warren Bartz, CPA
Judy Cammack, CPA
Susan Rumpca

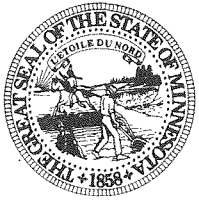
Deputy Legislative Auditor
Audit Manager
Auditor-in-Charge
Intern

EXIT CONFERENCE

The results of our audit were discussed with the following staff of the Metropolitan Mosquito Control District on April 26, 1989:

Robert Sjogren, Ph.D.
William Caesar
Trish Cooper
John Thompson
Paul Heller

Director
Business Administrator
Account Clerk
Data Processing Manager
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

Senator John E. Brandl, Chairman
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Jeff Spartz, Chairman
Metropolitan Mosquito Control Commission

Members of the Metropolitan Mosquito Control Commission

Mr. 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 for the year ended December 31, 1988. 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 Government Auditing Standards, and accordingly, included such audit procedures as we considered necessary in the circumstances.

Internal Accounting Control Systems

One objective of this audit was to study and evaluate major internal accounting control systems; payroll, operating disbursements, revenue, inventory and fixed assets at the district, in effect as of March 27, 1989.

The management of Metropolitan Mosquito Control District is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. 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.

Because of 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.

Senator John E. Brandl, Chairman
Members of the Legislative Audit Commission
Mr. Jeff Spartz, Chairman
Members of the Metropolitan Mosquito Control Commission
Mr. Robert Sjogren, Ph.D, Director
Metropolitan Mosquito Control District

Finance-Related Legal Provisions

Another objective of this audit was to verify that financial transactions were made in accordance with significant finance-related laws. The Metropolitan Mosquito Control District is governed by Minn. Stat. Sections 473.701 - 473.716. These sections create the district and establish the general purpose for its financial transactions.

The district is subject to various legal provisions which direct its conduct regarding specific financial issues. Minn. Stat. Section 473.711 relates to district revenues, including property taxes and collateral for deposits. Other specific provisions include Section 473.705 relating to district contracts and Section 473.714 relating to compensation of commissioners.

The Metropolitan Mosquito Control District is not subject to the accounting system prescribed by the Department of Finance for state agencies. The compensation and other conditions of employment of district employees are not governed by the rules applicable to state employees. The district is not defined as a metropolitan agency by Minn. Stat. Section 473.121, Subd. 5a and therefore, is not subject to the general legal provisions which govern the financial management of metropolitan agencies.

The management of Metropolitan Mosquito Control District is 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 the district. The purpose of our testing of transactions was to obtain reasonable assurance that the Metropolitan Mosquito Control District had, in all material respects, administered its programs in compliance with the aforementioned laws.

Conclusions


We have issued an unqualified opinion on the Metropolitan Mosquito Control District's financial statements for the year ended December 31, 1988. Our opinion, dated April 14, 1989, is included in the financial section of this report.

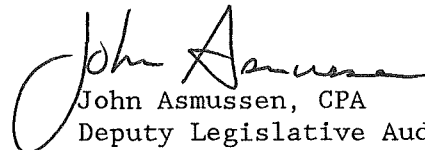
In our opinion, the Metropolitan Mosquito Control District's system of internal accounting control in effect on March 27, 1989, taken as a whole, was sufficient to provide management with reasonable, but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization.

Senator John E. Brandl, Chairman
Members of the Legislative Audit Commission
Mr. Jeff Spartz, Chairman
Members of the Metropolitan Mosquito Control Commission
Mr. Robert Sjogren, Ph.D, Director
Metropolitan Mosquito Control District

The results of our testing of transactions and records for the year ended December 31, 1988, indicated that the Metropolitan Mosquito Control District complied, in all material respects, with the aforementioned finance-related legal provisions. Nothing came to our attention in connection with our audit that caused us to believe that the district was not in compliance with other applicable finance-related legal requirements not specifically tested.

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


James R. Nobles
Legislative Auditor


John Asmussen, CPA
Deputy Legislative Auditor

END OF FIELDWORK: April 14, 1989

REPORT SIGNED ON: July 19, 1989