METROPOLITAN MOSQUITO CONTROL DISTRICT
FINANCIAL AUDIT
FOR THE YEAR ENDED DECEMBER 31, 1989

JULY 1990

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

90-36

Veterans Service Building, Saint Paul, Minnesota 55155 • 612/296-4708

METROPOLITAN MOSQUITO CONTROL DISTRICT

FINANCIAL AUDIT
FOR THE YEAR ENDED DECEMBER 31, 1989

Public Release Date: July 6, 1990 No. 90-36

OBJECTIVES:

- EXAMINE THE DISTRICT'S FINANCIAL STATEMENTS.
- EVALUATE INTERNAL CONTROL STRUCTURE: Cash and investments, revenues and receipts, operating disbursements, payroll, consumable inventory, and fixed assets.
- TEST COMPLIANCE WITH CERTAIN FINANCE-RELATED LEGAL PROVISIONS.

CONCLUSIONS:

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

We found the internal control structure to be effective.

We found that the district had complied with finance-related legal provisions.

Contact the Financial Audit Division for additional information.
(612) 296-1730

METROPOLITAN MOSQUITO CONTROL DISTRICT

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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

Members of the Metropolitan Mosquito Control Commission

and

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

We have audited the accompanying balance sheets of the Metropolitan Mosquito Control District as of December 31, 1989, 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 as of December 31, 1989, 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

Exhibit A

METROPOLITAN MOSQUITO CONTROL DISTRICT

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS

DECEMBER 31, 1989

	Governmental Fund Type	ACCOUNT GROUPS		TOTALS (Memorandum only) December 31,	
ASSETS	General	General Fixed Assets	General Long-term Debt	1989	1988
Cash	$13,595,624			$13,595,624	$11,791,752
Prepaid Rent and Ins.	30,528			30,528	15,492
Taxes Receivable: (net of allowance for uncollectible taxes of $15,000)	821,463			821,463	710,267
Inventory at cost	2,089,553			2,089,553	1,368,511
Property and Equipment		$2,370,727		2,370,727	1,904,898
Building		265,459		265,459	262,730
Amount to be provided for Employee Benefits			$ 281,207	281,207	246,773
Total Assets	$16,537,168	$2,636,186	$ 281,207	$19,454,561	$16,300,423
LIABILITIES AND FUND EQUITY					
iabilities:					
Accounts Payable	$ 395,146			$ 395,146	$ 116,977
Accrued Salary and Wages	71,474			71,474	60,233
Employee Benefits Payable	14,805		$ 281,207	296,012	262,826
Deferred Revenue	703,246			703,246	580,176
Total Liabilities	$ 1,184,671		$ 281,207	$ 1,465,878	$ 1,020,212
Fund Equity:					
Investment in general fixed assets		$2,636,186		$ 2,636,186	$ 2,167,628
Fund Balance:					
Reserved for Inventory	$ 2,089,553			2,089,553	1,368,511
Reserved for Hennepin County Property Tax Tier II	183,011			183,011	1,319,593
Unreserved Fund Balance (See designation for Building Project, in footnotes)	13,079,933			13,079,933	10,424,479
Total Fund Equity	$15,352,497	$2,636,186		$17,988,683	$15,280,211
.otal Liabilities and Fund Equity	$16,537,168	$2,636,186	$ 281,207	$19,454,561	$16,300,423

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, 1989 and 1988

	1989	1988
Revenues:		
Taxes -		
Anoka County	$ 650,788	$ 647,255
Carver County	81,205	89,353
Dakota County	926,796	863,923
Hennepin County	4,418,959	5,435,526
Ramsey County	1,629,833	1,659,022
Scott County	168,701	160,132
Washington County	468,663	464,853
Tax Deliquent Income	78,930	112,349
Miscellaneous	1,238,380	604,676
Total Revenues	$ 9,662,255	$10,037,089
Expenditures:		
Board of Commissioners -		
Salaries	$ 14,500	$ 12,300
Travel	5,229	5,599
Administrative	491,574	425,747
Control	6,211,303	4,921,225
Capital Expenditures	699,749	340,053
Total Expenditures	$ 7,422,355	$ 5,704,924
Excess (deficiency) of revenues over expenditures	$ 2,239,900	$ 4,332,165
Fund Balance at beginning of year	$13,112,583	$ 8,780,418
Prior year adjustments	$ 14	
Fund Balance at end of year	$15,352,497	$13,112,583

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, 1989

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes -			
Anoka County	$ 662,824	$ 650,788	$ (12,036)
Carver County	82,786	81,205	(1,581)
Dakota County	949,531	926,796	(22,735)
Hennepin County	4,515,770	4,418,959	(96,811)
Ramsey County	1,685,432	1,629,833	(55,599)
Scott County	172,460	168,701	(3,759)
Washington County	478,142	468,663	(9,479)
Tax Delinquent Income		78,930	78,930
Miscellaneous		1,238,380	1,238,380
Total Revenues	$ 8,546,945	$ 9,662,255	$ 1,115,310
Expenditures:			
Board of Commisioners -			
Salaries	$ 14,600	$ 14,500	$ 100
Travel	6,400	5,229	1,171
Administrative	510,860	491,574	19,286
Control	8,153,229	6,211,303	1,941,926
Capital Expenditures	824,705	699,749	124,956
Total Expenditures	$ 9,509,794	$ 7,422,355	$ 2,087,439
Excess (deficiency) of revenues over expenditures	$(962,849)	$ 2,239,900	$ 3,202,749
Fund Balance at beginning of year	$13,112,583	$13,112,583	
Prior year adjustment		$ 14	$ 14
Fund Balance at end of year	$12,149,734	$15,352,497	$ 3,202,763

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

Exhibit D

METROPOLITAN MOSQUITO CONTROL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

GENERAL FUND
Year Ended December 31, 1988

	Budget	Actual	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	$ 9,566,224	$10,037,089	$ 470,865
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	$ 9,342,410	$ 5,704,924	$ 3,637,486
Excess (deficiency) of revenues over expenditures	$ 223,814	$ 4,332,165	$ 4,108,351
Fund Balance at beginning of year	$ 8,780,418	$ 8,780,418	
Fund Balance at end of year	$ 9,004,232	$13,112,583	$ 4,108,351

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

METROPOLITAN MOSQUITO CONTROL DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 1989

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Metropolitan Mosquito Control District (MMCD) 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 representative to the Metropolitan 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 expenditures not exceeding its property tax levy limitation. To provide for its operations the Commission was limited to a maximum levy not to exceed six-tenths of one mill on all taxable property in the District through 1988. The property tax levy limitation for 1989 is the 1988 property tax levy limitation adjusted by a multiplier based on Market valuation changes between 1987 and 1988.

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 at year-end were appropriately 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 the statutory levy limitation 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, 1989 follows:

	Motor Vehicles	Furniture and Equipment	Total
Balance Jan. 1, 1989	$1,375,094	$529,804	$1,904,898
Additions	422,876	274,416	697,292
	1,797,970	804,220	2,602,190
Deletions	(192,544)	(38,919)	(231,463)
Balance Dec. 31, 1989	$1,605,426	$765,301	$2,370,727

3. BUILDING

A. Headquarters

The Anoka Operating Division has been constructed with cost shown on the balance sheet as $265,460. 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 $5,802,576.16 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 District is currently involved in site acquisition for the project with construction to start the summer of 1990. Project completion is expected in 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, 1989.

	Total
Employee benefits payable at Jan. 1, 1989	$262,826
Portion currently payable in 1989	(16,053)
Long term employee benefits payable at Jan. 1, 1989	$246,773
Net change in compensated absences	34,434
Long term employee benefits payable at Dec. 31, 1989	$281,207

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, 1989 was $703,246 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):

	1990	$419,536
	1991	317,443
	1992	49,262
Total minimum lease payments		$786,241

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

1988	$368,221
1989	$408,773

8. RETIREMENT PLAN

A. Plan Description

All full-time and certain part-time employees of the Metropolitan Mosquito Control District are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) which is a cost-sharing multiple-employer retirement plan. PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic members are not. All new members must participate in the Coordinated Plan. The payroll for employees covered by PERA plans for the year ended December 31, 1989, was $1,870,534.21, the District's total payroll was $2,626,117.40.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement benefits are based on a member's average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for Coordinated and Basic members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic member is 2 percent of average salary for each of the first 10 years of service and 2.5 percent for each remaining year. For a Coordinated member, the annuity accrual rate is 1 percent of average salary for each of the first 10 years and 1.5 percent for each remaining year. Using Method 2, the annuity accrual rate is 2.5 percent of average salary for Basic members and 1.5 percent for Coordinated members. For PERF members whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90.

There are different types of annuities available to members upon retirement. A normal annuity is a lifetime annuity that ceases upon the death of the retiree. No survivor annuity is payable. There are also various types of joint and survivor annuity options available which reduce the monthly normal annuity amount, because the annuity is payable over joint lives. Members may also leave their contributions in the fund upon termination of public service, in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

B. Contributions Required and Contributions Made

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. The District makes annual contributions to the pension plans equal to the amount required by state statutes. According to Minnesota Statutes Chapter 356.215, Subd. 4(g), the date of full funding required for the PERA plans is the year 2020. As part of the annual actuarial valuation, PERA's actuary determines the sufficiency of the statutory contribution rates towards meeting the required full funding deadline. The actuary compares the actual contribution rate to a "required" contribution rate. Current statutory contribution rates and actuarially required contribution rates for the plans are as follows:

	Statutory Rates:		Required
	Employees	Employer	Rates
PERF (Basic & Coordinated Plans)	4.27%	4.67%	9.42%

Total contributions made by the District during fiscal year 1989 were:

PERF:	Amounts Employees	Employer	Percentage of Covered Payroll Employees	Employer
Basic Plan	$12,697.31	$16,612.71	7.32 %	9.58 %
Coordinated Plan	69,920.46	74205.14	40.31 %	42.79 %
Totals	$82,617.77	$90,817.85		

The District's contribution for the year ended June 30, 1989 to the PERF. represented .10 percent of total contributions required of all participating entities.

C. Funding Status and Progress

1. Pension Benefit Obligation

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 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 among employers. 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, 1989, are shown below:

(In Thousands)	PERF
Total pension benefit obligations	$3,714,257
Net assets available for benefits, at cost (Market Value for PERF = $3,801,129)	2,934,977
Unfunded (assets in excess of) pension benefit obligation	$ 779,280

The measurement of pension benefit obligation is based on an actuarial valuation as of June 30, 1989. Net assets available to pay pension benefits were valued as of June 30, 1989.

2. Changes in Actuarial Methods and Benefit Provisions.

A number of benefit improvements became effective during fiscal year 1989. Some of the major improvements affecting each fund include a reduction in the period required for vesting from five years to three years; an option for members hired before July 1, 1989, to have their annuity calculated under a level benefit accrual formula; the interest rate credited on refunds of member contributions increased from 5 percent to 6 percent; and the provision for an automatic bounce back feature for all joint and survivor annuity options. There were changes in the actuarial assumptions used in the annual actuarial valuation. Effective beginning in fiscal year 1989, the preretirement interest rate assumption was increased from 8 percent to 8.5 percent. Additionally the amortization target date has been changed to 2020. Shown below are the effects on the pension benefit obligation of these changes in the plan benefits and actuarial assumptions.

Increase (Decrease) in Pension
Benefit Obligation Due to:
(In Thousands)

		PERF
Changes in plan benefits	$127,472	
Changes in actuarial assumptions		(84,154)
Net increase in pension benefit obligation		$ 43,318

D. Ten-Year Historical Trend Information

Ten-year historical trend information is presented in PERA's Comprehensive Annual Financial Report for the year ending June 30, 1989. This information is useful in assessing the pension plan's accumulation of sufficient assets to pay pension benefits as they become due.

E. Related Party Investments

As of June 30, 1989, and for the fiscal year then ended, 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 $183,011. 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 the subsequent period. All Tier II funds will be expended in 1990.

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	Deputy Legislative Auditor
Warren Bartz, CPA	Audit Manager
Sonya Hill	Auditor-in-Charge
Susan Rumpca	Staff Auditor
Kathy Hengel	Intern

EXIT CONFERENCE

The results of our audit were discussed with the following staff of the Metropolitan Mosquito Control District on May 17 and 18, 1990:

Robert Sjogren, Ph.D.	Director
William Caesar	Business Administrator

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 audited the financial statements of the Metropolitan Mosquito Control District for the year ended December 31, 1989, and issued our report thereon dated July 6, 1990. We have also made a study and evaluation of the internal control structure of the Metropolitan Mosquito Control District in effect at December 31, 1989.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial activities attributable to the transactions of the Metropolitan Mosquito Control District are free of material misstatements.

As part of our examination of the financial statements and our study and evaluation of the internal control structure, we performed tests of Metropolitan Mosquito Control Commission's compliance with certain provisions of laws, regulations, and contracts. However, our objective was not to provide an opinion on overall compliance with such provisions.

Management Responsibilities

The management of the Metropolitan Mosquito District is responsible for establishing and maintaining an internal control structure. This responsibility includes compliance with applicable laws, regulations, and contracts. In fulfilling this responsibility, estimates and judgments by management are required to asses the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- assets are safeguarded against loss from unauthorized use or disposition;
- transactions are executed in accordance with applicable legal and regulatory provisions, as well as management's authorization; and

- transactions are recorded properly on the Metropolitan Mosquito Control District's records.

Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

Internal Control Structure

For purposes of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- cash and investments,
- revenue and receipts,
- payroll,
- other operating disbursements, and
- consumable and fixed asset inventory control.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Conclusions

In our opinion, the internal control structure of the Metropolitan Mosquito Control District in effect at December 31, 1989, taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or irregularities in amounts that would be material in relation to the financial transactions of the Metropolitan Mosquito Control District.

The results of our tests indicate that, with respect to the items tested, the Metropolitan Mosquito Control District complied, in all material respects, with the provisions referred to in the audit scope paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that the Metropolitan Mosquito Control District had not complied, in all material respects, with those provisions.

This report is intended for the information of the Legislative Audit Commission and management of the Metropolitan Mosquito Control District. This restriction is not intended to limit the distribution of this report, which was released as a public document on July 6, 1990.

We would like to 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: May 18, 1990

REPORT SIGNED ON: June 29, 1990