METROPOLITAN MOSQUITO CONTROL DISTRICT
FINANCIAL AUDIT
FOR THE YEAR ENDED DECEMBER 31, 1991

SEPTEMBER 1992

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

92-64

Centennial Office Building, Saint Paul, MN 55155 ● 612/296-4708

METROPOLITAN MOSQUITO CONTROL DISTRICT

FINANCIAL AUDIT
FOR THE YEAR ENDED DECEMBER 31, 1991

Public Release Date: September 25, 1992 No. 92-64

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

FINANCIAL AUDIT DIVISION

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Financial Section

STATE OF MINNESOTA
OFFICE OF THE LEGISLATIVE AUDITOR
CENTENNIAL BUILDING, ST. PAUL, MN 55155 • 612/296-4708
JAMES R. NOBLES, LEGISLATIVE AUDITOR

Independent Auditor's Report

Mr. Nick Cenaiko, Chair
Metropolitan Mosquito Control Commission

Members of the Metropolitan Mosquito Control Commission

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, 1991, 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, 1991, 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
James R. Nobles
Legislative Auditor

John Asmussen
John Asmussen, CPA
Deputy Legislative Auditor

May 22, 1992

Exhibit A
METROPOLITAN MOSQUITO CONTROL DISTRICT

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS

DECEMBER 31, 1991

	Governmental Fund Type	ACCOUNT GROUPS		TOTALS (Memorandum only) December 31,	
ASSETS	General	General Fixed Assets	General Long-term Debt	1991	1990
Cash	$ 10,498,102			$10,498,102	$10,800,484
Prepaid Rent & Ins.	37,226			37,226	27,590
Taxes Receivable: (net of allowance for uncollectible taxes of $15,000)	1,354,724			1,354,724	917,036
Inventory at cost	1,394,277			1,394,277	1,139,676
Property and Equipment		$3,242,322		3,242,322	3,002,108
Building		2,329,719		2,329,719	957,232
Amount to be provided for Employee Benefits			$ 374,097	374,097	332,950
Total Assets	$ 13,284,329	$5,572,041	$ 374,097	$19,230,467	$17,177,076
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts Payable	$ 414,101			$ 414,101	$ 255,136
Accrued Salary and Wages	96,790			96,790	90,636
Employee Benefits Payable	3,586		$ 374,097	377,683	338,783
Deferred Revenue	1,170,185			1,170,185	793,525
Total Liabilities	$ 1,684,662		$ 374,097	$ 2,058,759	$ 1,478,080
Fund Equity:					
Investment in general fixed assets		$5,572,041		$ 5,572,041	$ 3,959,340
Fund Balance:					
Reserved for Inventory	$ 1,394,277			$ 1,394,277	$ 1,139,676
Reserved for building	2,190,496			2,190,496	596,724
Unreserved Fund Balance (See designation for building project, in footnotes)	8,014,894			$ 8,014,894	$10,003,256
Total Fund Equity	$ 11,599,667	$5,572,041		$17,171,708	$15,698,996
Total Liabilities and Fund Equity	$ 13,284,329	$5,572,041	$ 374,097	$19,230,467	$17,177,076

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, 1991 and 1990

	1991	1990
Revenues:		
Taxes -		
Anoka County	$ 585,570	$ 410,207
Carver County	86,075	56,892
Dakota County	871,910	567,598
Hennepin County	4,253,134	2,848,094
Ramsey County	1,491,439	966,145
Scott County	159,221	110,425
Washington County	464,447	323,130
Homestead & Agricultural Credit & other aids (See footnote #1,J)	1,642,629	305,073
Tax Deliquent Income	55,794	122,935
Investment Income	474,372	850,068
Miscellaneous	138,657	79,555
Total Revenues	$10,223,248	$ 6,640,122
Expenditures:		
Board of Commissioners -		
Salaries	$ 15,550	$ 15,150
Travel	5,710	4,692
Administrative	637,743	582,123
Control	8,074,158	8,205,931
Capital Expenditures	1,630,076	1,445,067
Total Expenditures	$10,363,237	$10,252,963
Excess (deficiency) of revenues over expenditures	$(139,989)	$(3,612,841)
Fund Balance at beginning of year	$11,739,656	$15,352,497
Fund Balance at end of year	$11,599,667	$11,739,656

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 ACTUAL

GENERAL FUND
Year Ended December 31, 1991

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes -			
Anoka County	$ 604,391	$ 585,570	$ (18,821)
Carver County	88,791	86,075	(2,716)
Dakota County	909,640	871,910	(37,730)
Hennepin County	4,504,593	4,253,134	(251,459)
Ramsey County	1,598,108	1,491,439	(106,669)
Scott County	163,589	159,221	(4,368)
Washington County	475,138	464,447	(10,691)
Homestead & Agricultural Credit & other aids	1,642,629	1,642,629	0
(See footnote #1,J)			
Tax Delinquent Income		55,794	55,794
Investment Income		474,372	474,372
Miscellaneous		138,657	138,657
Total Revenues	$ 9,986,879	$10,223,248	$ 236,369
Expenditures:			
Board of Commissioners -			
Salaries	$ 15,550	$ 15,550	$ 0
Travel	5,750	5,710	40
Administrative	652,245	637,743	14,502
Control	8,958,334	8,074,158	884,176
Capital Expenditures	3,424,835	1,630,076	1,794,759
Total Expenditures	$13,056,714	$10,363,237	$ 2,693,477
Excess (deficiency) of revenues over expenditures	$(3,069,835)	$ (139,989)	$ 2,929,846
Fund Balance at beginning of year	$11,739,656	$11,739,656	0
Fund Balance at end of year	$ 8,669,821	$11,599,667	$ 2,929,846

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, 1990

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes -			
Anoka County	$ 421,077	$ 410,207	$ (10,870)
Carver County	58,192	56,892	(1,300)
Dakota County	580,212	567,598	(12,614)
Hennepin County	2,967,397	2,848,094	(119,303)
Ramsey County	1,021,394	966,145	(55,249)
Scott County	113,110	110,425	(2,685)
Washington County	324,320	323,130	(1,190)
Homestead & Agricultural Credit & other aids (See footnote #1,J)	305,073	305,073	-0-
Tax Delinquent Income		122,935	122,935
Investment Income		850,068	850,068
Miscellaneous		79,555	79,555
Total Revenues	$ 5,790,775	$ 6,640,122	$ 849,347
Expenditures:			
Board of Commissioners -			
Salaries	$ 15,250	$ 15,150	$ 100
Travel	5,750	4,692	1,058
Administrative	580,110	582,123	(2,013)
Control (See footnote #1,K.1990)	9,412,350	8,205,931	1,206,419
Capital Expenditures (See footnote #1,K.1990)	2,421,265	1,445,067	976,198
Total Expenditures	$12,434,725	$10,252,963	$2,181,762
Excess (deficiency) of revenues over expenditures	$(6,643,950)	$(3,612,841)	$ 3,031,109
Fund Balance at beginning of year	$15,352,497	$15,352,497	0
Fund Balance at end of year	$ 8,708,547	$11,739,656	$ 3,031,109

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

METROPOLITAN MOSQUITO CONTROL DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 1991

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. This member receives 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 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 1991 is the 1990 property tax levy limitation adjusted by a multiplier based on Market valuation changes between 1989 and 1990.

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.

For 1991 the original amount of Homestead and Agricultural Credit Aid was $1,987,124. Legislative action reduced aid payments to counties, cities, towns and special taxing districts by $85,000,000. The final 1991 Homestead and Agricultural Credit Aid for the District after all reductions was $1,623,768. Additional aids are added to total $1,642,629.

K. Budget

The 1991 budget for Operations, $9,946,714 includes a midyear reduction of $384,660. The Metropolitan Mosquito Control Commission approved these reduced expenditures due to the reduction in aids to local governments. The original Operations budget was $10,331,374.

The Capital Expenditures budget includes the capital purchases budget plus the building project budget of $3,110,000.

2. GENERAL FIXED ASSETS

A summary of changes in general fixed assets as of December 31, 1991 follows:

	Motor Vehicles	Furniture and Equipment	Total
Balance Jan. 1, 1991	$2,078,356	$ 923,752	$3,002,108
Additions	194,427	63,162	257,589
	2,272,783	986,914	3,259,697
Deletions	(8,775)	(8,599)	(17,374)
Balance Dec. 31, 1991	$2,264,008	$ 978,315	$3,242,323

3. BUILDING

A. Headquarters

The Anoka Operating Division Headquarters has been constructed with cost shown on the balance sheet as $677,075. 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 built in 1985 and is currently being expanded to provide additional space for operational use. The expansion will be completed in 1992. The Scott-Carver Operating Division Headquarters was constructed in 1991 at a cost of $750,756.

B. Building Project

The District headquarters development program continued in 1991 with the completion of the Scott-Carver Operating Division Headquarters, commencement of the Anoka Operating Division Headquarters expansion and Administrative/Research Headquarters construction. The District has reserved $2,190,496 to complete these buildings. The District has also designated $2,325,460 to upgrade and standardize the four remaining headquarters locations as the quality of many of the current facilities is inconsistent and not well suited to program needs.

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, 1991.

	Total
Employee benefits payable at Jan. 1, 1991	$338,783
Portion currently payable in 1991	(5,833)
Long term employee benefits payable at Jan. 1, 1991	$332,950
Net change in compensated absences	41,147
Long term employee benefits payable at December 31, 1991	$374,097

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, 1991 was $1,170,185 consisting of taxes and other receivables 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):

1992	$343,527
1993	$184,627
1994	$131,797
1995	$135,085
1996	$140,731
Total minimum lease payments	$935,767

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

1990	$553,410
1991	$499,595

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, one member has elected Medicare Coverage. All new members must participate in the Coordinated Plan. The payroll for employees covered by PERA plans for the year ended December 31, 1991, was $2,339,897.20, the District's total payroll was $3,149,498.01.

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)	4.44%	4.81%	10.04%

Total contributions made by the District during fiscal year 1991 were:

	Amounts		Percentage of Covered Payroll	
PERF:	Employees	Employer	Employees	Employer
Basic Plan	$11,766	$ 15,340	5.39 %	7.02 %
Coordinated Plan	92,918	98,408	42.54 %	45.05 %
Totals	$104,684	$113,748		

The District's contribution for the year ended June 30, 1991 to the PERF represented .21 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, 1991, are shown below:

(In Thousands)	PERF
Total pension benefit obligations	$4,458,010
Net assets available for benefits, at cost (Market Value for PERF = $3,662,769)	3,524,071
Unfunded (assets in excess of) pension benefit obligation	$ 933,939

The measurement of pension benefit obligation is based on an actuarial valuation as of June 30, 1991. Net assets available to pay pension benefits were valued as of June 30, 1991.

2. Changes in Benefit Provisions.

During the 1991 legislative session, benefit improvements were obtained for survivors of members in the Basic Plan. The maximum family death benefit was increased from $1,000 per month to 70 percent of the member's average salary. The effect of this change increased the pension benefit obligation in the PERF by $4,016,869.

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, 1991. 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, 1991, 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. In 1991, $28,005.74 in royalties were collected from the patents. An additional $10,000 due in 1991 was not received.

After fees are recovered, thirty-three and one third percent will be paid to the Director. Fees have been recovered on one of the patents. In 1991, a payment of $2,372.35 was made 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.

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, CPA	Auditor-in-Charge
Ron Mavetz, CPA	Auditor

Exit Conference

The results of our audit were discussed with the following staff of the Metropolitan Mosquito Control District on May 22, 1992:

Robert Sjogren, Ph.D.	Director
William Caesar	Business Administrator
Patricia Egerer	Accounting Clerk

STATE OF MINNESOTA
OFFICE OF THE LEGISLATIVE AUDITOR
CENTENNIAL BUILDING, ST. PAUL, MN 55155 • 612/296-4708
JAMES R. NOBLES, LEGISLATIVE AUDITOR

Representative Ann Rest, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Nick Cenaiko, Chair
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, 1991, and issued our report thereon dated May 22, 1991. We have also made a study and evaluation of the internal control structure of the Metropolitan Mosquito Control District in effect at December 31, 1991.

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 District'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 Control 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 assess 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 operations of policies and procedures may deteriorate.

Internal Control Structure

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

- revenue and tax receipts
- payroll and other operating expenditures
- 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, 1991, 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 would lead 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 September 25, 1992.

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

James R. Nobles
Legislative Auditor

John Asmussen, CPA
Deputy Legislative Auditor

End of Fieldwork: May 22, 1992

Report Signed on: September 16, 1992