METROPOLITAN MOSQUITO CONTROL DISTRICT

FINANCIAL AUDIT

FOR THE YEAR ENDED DECEMBER 31, 1993

JULY 1994

Financial Audit Division
Office of the Legislative Auditor
State of Minnesota

94-33

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

SUMMARY

State of Minnesota
Office of the Legislative Auditor
Centennial Office Building • St. Paul, MN 55155
612/296-4708

METROPOLITAN MOSQUITO CONTROL DISTRICT

FINANCIAL AUDIT
FOR THE YEAR ENDED DECEMBER 31, 1993

Public Release Date: July 1, 1994 No. 94-33

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.
296-1730

Metropolitan Mosquito Control District
2099 University Avenue West
St Paul MN 55104-3431

FINANCIAL STATEMENTS

Year Ended December 31, 1993

Metropolitan Mosquito Control District

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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. Steve Loeding, Chair
Metropolitan Mosquito Control Commission

Members of the Metropolitan Mosquito Control Commission

Mr. Joseph Sanzone, Director
Metropolitan Mosquito Control District

We have audited the accompanying balance sheets of the Metropolitan Mosquito Control District as of December 31, 1993, 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, 1993, 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, 1993

	Governmental Fund Type	ACCOUNT GROUPS		TOTALS (Memorandum only) December 31,	
ASSETS	General	General Fixed Assets	General Long-term Debt	1993	1992
Cash	$ 5,782,326			$ 5,782,326	$ 7,584,973
Prepaid Rent & Ins.	16,122			16,122	32,626
Taxes Receivable: (net of allowance for uncollectible taxes of $15,000)	808,344			808,344	2,452,054
Inventory at cost	1,435,281			1,435,281	1,736,488
Property and Equipment		$3,636,708		3,636,708	3,383,573
Building		7,120,867		7,120,867	4,660,027
Amount to be provided for Employee Benefits			$ 377,808	377,808	398,886
Total Assets	$ 8,042,073	$10,757,575	$ 377,808	$19,177,456	$20,248,627
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts Payable	$ 417,577			$ 417,577	$ 278,279
Accrued Salary and Wages	43,019			43,019	34,153
Employee Benefits Payable	96,215		$ 377,808	474,023	408,882
Deferred Revenue	666,504			666,504	1,350,832
Total Liabilities	$ 1,223,315		$ 377,808	$ 1,601,123	$ 2,072,146
Fund Equity:					
Investment in general fixed assets		$10,757,575		$10,757,575	$ 8,043,600
Fund Balance:					
Reserved for Inventory	$ 1,435,281			$ 1,435,281	$ 1,736,488
Reserved for building	495,206			495,206	221,554
Unreserved Fund Balance (See designation for building project, in footnote 3B.)	4,888,271			$ 4,888,271	$8,174,839
Total Fund Equity	$ 6,818,758	$10,757,575		$17,576,333	$18,176,481
Total Liabilities and Fund Equity	$ 8,042,073	$10,757,575	$ 377,808	$19,177,456	$20,248,627

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, 1993 and 1992

	1993	1992
Revenues:		
Taxes -		
Anoka County	$ 554,278	$ 592,961
Carver County	80,470	94,069
Dakota County	819,414	898,147
Hennepin County	3,305,303	4,067,898
Ramsey County	1,254,777	1,500,204
Scott County	139,056	169,077
Washington County	425,065	459,853
Homestead & Agricultural Credit & other aids (See footnote #1,J)	2,105,158	1,860,155
Tax Delinquent Income	55,002	123,703
Investment Income	125,920	248,420
Miscellaneous	197,039	190,858
Total Revenues	$ 9,061,482	$10,205,345
Expenditures:		
Board of Commissioners -		
Salaries	$ 0	$ 6,950
Travel	5,036	4,704
Administrative	728,980	680,740
Control	8,852,103	8,315,453
Capital Expenditures	2,744,495	2,664,284
Total Expenditures	$12,330,614	$11,672,131
Excess (deficiency) of revenues over expenditures	$(3,269,132)	$(1,466,786)
Fund Balance at beginning of year	$10,132,881	$11,599,667
Adjustment to Fund Balance	$(44,991)	
Fund Balance at end of year	$ 6,818,758	$10,132,881

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

METROPOLITAN MOSQUITO CONTROL DISTRICT Exhibit C

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

GENERAL FUND
Year Ended December 31, 1993

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes -			
Anoka County	$ 563,600	$ 554,278	$ (9,322)
Carver County	80,386	80,470	84
Dakota County	842,546	819,414	(23,132)
Hennepin County	3,523,865	3,305,303	(218,562)
Ramsey County	1,322,225	1,254,777	(67,448)
Scott County	140,860	139,056	(1,804)
Washington County	430,763	425,065	(5,698)
Homestead & Agricultural Credit & other aids (See footnote #1,J)	2,095,755	2,105,158	9,403
Tax Delinquent Income		55,002	55,002
Investment Income		125,920	125,920
Miscellaneous		197,039	197,039
Total Revenues	$ 9,000,000	$ 9,061,482	$ 61,482
Expenditures:			
Board of Commissioners -			
Salaries	$ 1,200	$ 0	$ 1,200
Travel	6,400	5,036	1,364
Administrative	671,380	728,980	(57,600)
Control	8,952,530	8,852,103	100,427
Capital Expenditures	2,936,175	2,744,495	191,680
Total Expenditures	$12,567,685	$12,330,614	$ 237,071
Excess (deficiency) of revenues over expenditures	$(3,567,685)	$(3,269,132)	$ 298,553
Fund Balance at beginning of year	$10,132,881	$10,132,881	0
Adjustment to Fund Balance		$ (44,991)	$ (44,991)
Fund Balance at end of year	$ 6,565,196	$ 6,818,758	$ 253,562

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, 1992

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes -			
Anoka County	$ 613,956	$ 592,961	$ (20,995)
Carver County	96,270	94,069	(2,201)
Dakota County	936,448	898,147	(38,301)
Hennepin County	4,237,332	4,067,898	(169,434)
Ramsey County	1,564,143	1,500,204	(63,939)
Scott County	168,694	169,077	383
Washington County	469,716	459,853	(9,863)
Homestead & Agricultural Credit & other aids (See footnote #1,J)	1,860,155	1,860,155	0
Tax Delinquent Income		123,703	123,703
Investment Income		248,420	248,420
Miscellaneous		190,858	190,858
Total Revenues	$ 9,946,714	$10,205,345	$ 258,631
Expenditures:			
Board of Commissioners -			
Salaries	$ 15,600	$ 6,950	$ 8,650
Travel	6,400	4,704	1,696
Administrative	676,415	680,740	(4,325)
Control	9,055,124	8,315,453	739,671
Capital Expenditures	3,213,175	2,664,284	548,891
Total Expenditures	$12,966,714	$11,672,131	$ 1,294,583
Excess (deficiency) of revenues over expenditures	$(3,020,000)	$(1,466,786)	$ 1,553,214
Fund Balance at beginning of year	$11,599,667	$11,599,667	0
Fund Balance at end of year	$ 8,579,667	$10,132,881	$ 1,553,214

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

METROPOLITAN MOSQUITO CONTROL DISTRICT

NOTES TO FINANCIAL STATEMENTS

December 31, 1993

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 and to perform surveillance on Lyme ticks 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 District 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.

The property tax levy limitation for 1993 is the 1992 property tax levy limitation adjusted by a multiplier based on Market valuation changes between 1991 and 1992. District expenditures have exceeded the levy as Commission and legislative intent has been to minimize growth and reduce reserves.

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. An adjustment was made reducing the Fund Balance by $8,132.60, for consumable materials which were sold, returned or channelled through a disposal process.

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 1993 the Homestead and Agricultural Credit Aid was $2,095,755. An additional $9,403.00 was received for Mobile Home Homestead and Agricultural Credit.

K. Budget

The 1993 annual budget for Operations was $9,917,685. The Capital Expenditures budget includes the capital purchases budget plus $2,650,000 for the long-term building project.

2. GENERAL FIXED ASSETS

A summary of changes in general fixed assets as of December 31, 1993 follows:

	Motor Vehicles	Furniture and Equipment	Total
Balance Jan. 1, 1993	$2,182,870	$1,200,704	$3,383,574
Additions	202,439	81,215	283,654
	2,385,309	$1,281,919	3,667,228
Deletions	(16,965)	(13,555)	(30,520)
Balance Dec. 31, 1993	$2,368,344	$1,268,364	$3,636,708

3. BUILDING

A. Headquarters

The Anoka Operating Division Headquarters has been constructed with cost shown on the balance sheet as $722,647. 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 in 1992 the expansion was completed to provide additional space for operational use. The Scott-Carver Operating Division Headquarters was constructed in 1991. Recent additions have brought the total cost to $779,029. The Administrative/Research Headquarters was constructed in 1992 and 1993 at a cost of $3,199,071. A cost of $694,719 has been incurred as of December 31, 1993 for the construction of the Dakota Operating Division Headquarters. Two facilities were purchased in 1993 for the North Hennepin and South Hennepin Operating Divisions. Expenditures for purchase and remodeling were $868,444 for North Hennepin, and $856,957 for South Hennepin.

B. Building Project

The District headquarters development program continued in 1993 with further work on the Dakota Division Headquarters Project. The District has reserved $495,206 toward completion of efforts at the Dakota, North and South Hennepin facilities, and has also designated $34,366. With the conclusion of this work early in 1994, the District's facilities will be better 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, 1993.

	Total
Employee benefits payable at Jan. 1, 1993	$408,881
Portion currently payable in 1993	(9,996)
Long term employee benefits payable at Jan. 1, 1993	$398,885
Net change in compensated absences	(21,077)
Long term employee benefits payable at December 31, 1993	$377,808

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. The current portion of $96,215 reflects the expected retirement of several employees and explains the high administrative expenditures.

6. DEFERRED REVENUE

The deferred revenue balance at December 31, 1993 was $666,504.00 consisting of taxes and other receivables which are not expected to be collected within 60 days as required by NCGA Interpretation 3. The District has reduced receivables by $945,806.27 due to cancellations and abatements of delinquent property tax by the counties. An adjustment has been made directly to the Fund Balance of $36,860.10. This accounts for a refund to Hennepin County of abated revenues which the District previously received.

7. LEASES

Operating leases consist of rental of the Ramsey/Washington Division headquarters.

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

	1994	$154,032
	1995	$157,320
	1996	$162,966
	1997	$168,895
	1998	$167,791
Total minimum lease payments		$811,004

If the District exercises its option to extend the lease agreement for three years, a rebate of $6,955.91 will be received in 1998 reducing that total to $160,835.09. The rebate is to offset larger rent increases in years 1996 and 1997. Total rental expense including short-term, seasonal equipment and vehicles is as follows:

1992	$480,345
1993	$307,350

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, 1993, was $2,584,479.44, the District's total payroll was $3,407,522.98.

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 will 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)	4.39%	4.67%	9.95%

*The recommended rates scheduled above represent the required rates for fiscal year 1993 contributions as reported in the July 1, 1992, actuarial valuation reports.

Total contributions made by the District during fiscal year 1993 were:

PERF:	Amounts Employees	Employer	Percentage of Covered Payroll Employees	Employer
Basic Plan	$12,349	$ 16,100	5.14 %	6.69 %
Coordinated Plan	102,979	109,065	42.82 %	45.35 %
Totals	$115,328	$125,165		

The District's contribution for the year ended June 30, 1993 to the PERF represented .209 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, 1993, are shown below:

(In Thousands)	PERF
Total pension benefit obligations	$5,163,766
Net assets available for benefits, at cost (Market Value for PERF = $4,515,052)	4,304,163
Unfunded (assets in excess of) pension benefit obligation	$ 859,603

The measurement of pension benefit obligation is based on an actuarial valuation as of June 30, 1993. Net assets available to pay pension benefits were valued as of June 30, 1993.

2. Changes in Benefit Provisions.

Two bills enacted during 1993 legislative session improved benefits for many members without a material effect on the pension benefit obligation in the PERF. The early retirement incentive bill permitted a public employer to offer PERA's Basic and Coordinated members an increase of one-fourth percent (.25%) in the formula multiplier for each year of service, up to the first 30 years, or health insurance coverage to age 65. Also, the survivor protection bill provided benefits to either a surviving spouse or children of PERF Coordinated Plan members who die before age 50.

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, 1993. 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, 1993, 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 1993, $27,067.62 in royalties were collected from the patents.

After fees are recovered, thirty-three and one third percent will be paid to the former Director. Fees have been recovered on one of the patents. In 1993, a payment of $7,465.21 was made to the Director. As he has terminated employment with the District, he will be entitled to 25 percent for the duration of the patents. The patents are for the process currently used for manufacturing control material briquets. The District has licensed rights to manufacture the briquets to a private company, and revenue will accrue to the District from sales to entities other than the District. The District is currently exploring negotiations to license additional manufacturing and development rights to a private company. The first patent was issued on June 2, 1987; the second on March 22, 1988.

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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
Joan Haskin, CPA	Auditor-in-Charge
Karen Klein, CPA	Auditor

Exit Conference

The results of our audit were discussed with the following staff of the Metropolitan Mosquito Control District on May 25, 1994:

Joseph Sanzone	Director
William Caesar	Business Administrator
Patricia Egerer	Accounting Clerk
John Thompson	Data Processing Manager
Paul Heller	Accounting Assistant

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

Senator Phil Riveness, Chair
Legislative Audit Commission

Members of the Legislative Audit Commission

Mr. Steve Loeding, Chair
Metropolitan Mosquito Control Commission

Members of the Metropolitan Mosquito Control Commission

Mr. Joseph Sanzone, Director
Metropolitan Mosquito Control District

Audit Scope

We have audited the financial statements of the Metropolitan Mosquito Control District as of and for the year ended December 31, 1993, and issued our report thereon dated July 1, 1994. We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we consider the internal control structure in order to plan our audit, and that we perform tests of the department's compliance with certain material provisions of laws, regulations, contracts and grants. However, our objective was not to provide an opinion on the internal control structure or on overall compliance with finance-related legal provisions.

Internal Control Structure

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

- cash,
- operating revenue,
- operating expenses,
- payroll and,
- fixed asset and consumable inventories.

For 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.

Management Responsibilities

Management of the Metropolitan Mosquito Control District is responsible for establishing and maintaining the internal control structure. This responsibility includes compliance with applicable laws, regulations, contracts, and grants. 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 internal control 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.

Conclusions

We noted no matters involving the internal control structure and its operation that we consider to be a material weakness. A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial activities being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

We noted other matters involving the internal control structure and its operation that we reported to the management of the Metropolitan Mosquito Control District at the exit conference held on May 25, 1994.

Senator Phil Riveness, Chair
Members of the Legislative Audit Commission
Mr. Steve Loeding, Chair
Members of the Metropolitan Mosquito Control Commission
Mr. Joseph Sanzone, Director
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The results of our tests of compliance 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 1, 1994.

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: May 6, 1994

Report Signed On: June 22, 1994