

SAN MATEO COUNTY MOSQUITO
ABATEMENT DISTRICT

AUDIT REPORT
JUNE 30, 2006

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SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

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C. G. UHLENBERG LLP

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
San Mateo County Mosquito Abatement District
Burlingame, California

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the San Mateo County Mosquito Abatement District (the "District"), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 audit provides 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 governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have issued our report dated October 1, 2006 on our consideration of San Mateo County Mosquito Abatement District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Management's Discussion and Analysis on pages 3 through 10 are not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary schedules identified in the table of contents are presented for additional analysis and are not a required part of the basic financial statements of the District. The information contained in the supplementary schedules has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion thereon.

C. S. Uhlenberg LLP

October 1, 2006
Redwood City, California

Management's Discussion and Analysis

**SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2006**

This section of the San Mateo County Mosquito Abatement District's 2005/06 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2006. This management's discussion and analysis should be read in conjunction with the District's financial statements, including notes and supplementary information that immediately follow this section.

FINANCIAL HIGHLIGHTS

- Total net assets were \$6,558,136 as of June 30, 2006.
- Total assets of governmental activities were \$8,007,722. Cash and investments were \$4,299,252 and capital assets were \$3,708,470 of total net assets.
- General revenues accounted for \$3,688,001 or 92 percent of all revenues.
- The District had \$2,859,129 in program expenses; only \$318,343 of these expenses was offset by program specific charges for services.
- Total government-wide revenues for fiscal year 2006 were \$4,006,344.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

The first two statements are government wide financial statements that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operation in more detail than the government wide statements.

The fund financial statements are composed of:

- Governmental fund statements which tell how basic services were financed in the short term, as well as what remains for future spending.

**SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2006**

The Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and Statement of Activities report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. Net assets are the difference between asset and liabilities, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. To assess the overall health of the District, you need to consider additional non-financial factors including the condition of the District's buildings and other facilities.

REPORTING THE DISTRICTS MOST SIGNIFICANT FUNDS

Fund financial statement

The fund financial statements provide more detailed information about the District's most significant funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by law and covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that certain revenues have been properly used.

Governmental funds - The District's basic services are reported in governmental funds which generally focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash, and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund statement that explains the relationship (or differences) between them.

**SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2006**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the District's governmental activities. We also provide a comparative table analyzing the District's net cost of providing mosquito abatement services for the fiscal year ended June 30, 2006.

Table 1: Net Assets

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Change</u>	<u>Percentage Change</u>
Assets				
Current and Other Assets	\$ 4,299,252	\$ 3,787,242	\$ 512,010	14%
Capital Assets	3,708,470	3,306,843	401,627	12%
Total Assets	8,007,722	7,094,085	913,637	13%
Liabilities				
Long-Term Liabilities	1,275,000	1,495,000	(220,000)	-15%
Other Liabilities	174,586	188,165	(13,579)	-7%
Total Liabilities	1,449,586	1,683,165	(233,579)	-14%
Net Assets				
Invested in Capital Assets, Net of Debt	2,433,470	1,811,843	621,627	34%
Restricted	230,313	231,843	(1,530)	-1%
Unrestricted	3,894,353	3,367,234	527,119	16%
Total Net Assets	\$ 6,558,136	\$ 5,410,920	\$ 1,147,216	21%

Our current assets are a combination of cash, investments, investments held in trust, and inventory.

The District completed a significant annexation and benefit assessment in January 2004. With the increased service area, additional revenue generated from the newly annexed cities contributed to the increase in total assets.

Capital assets of existing structures were slightly reduced due to accumulated depreciation. In July 2005, a new parking garage and fish storage building were constructed, which increased the value of the District's capital assets. The demolished storage building was valued at \$37,000. The new parking garage and fish storage facility, built in its place, was constructed at a cost of \$465,044. The District received a final building inspection on May 19, 2006.

The long term liabilities were lowered by 15% by the District's annual payment on the bonds used to finance the construction of the Administration/Lab facility in 2001. The District will continue to make payments on the bonds until 2011.

**SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2006**

Table 2: Changes in Net Asset

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Change</u>	<u>Percentage Change</u>
Revenues				
Program Revenues:				
Charges for services	\$ 318,343	\$ 267,370	\$ 50,973	19%
General Revenues:				
Property taxes	1,298,390	1,240,554	57,836	5%
Special Mosquito Control Tax	440,552	440,044	508	0%
Other Taxes	140,940	119,938	21,002	18%
Special Benefit Assessment	1,286,889	1,254,916	31,973	-
Investment Earnings	111,984	73,768	38,216	52%
Dividend Income	8,204	4,993	3,211	64%
Miscellaneous Revenue	401,042	200,269	200,773	100%
Total Revenues	4,006,344	3,601,852	404,492	11%
Program Expenses				
Mosquito Abatement Services	2,590,448	2,205,320	385,128	17%
Interest and Fiscal Charges	67,155	78,750	(11,595)	-15%
Depreciation expenses	201,526	178,132	23,394	13%
Total Expenses	2,859,129	2,462,202	396,927	16%
Increase in Net Assets	\$ 1,147,215	\$ 1,139,650	\$ 7,565	-5%

The main stable source of revenue for the District is annual property taxes, a special mosquito control tax, and a benefit assessment. The special mosquito control tax and property taxes are not subject to an annual adjustment tied to the Consumer Price Index for the San Francisco Bay Area. The special benefit assessment is tied to an annual adjustment.

A number of government agencies and private entities are contracting with the District to provide services in controlling mosquitoes or invasive plants on their property. The District realized a significant increase in charges for services, which can be attributed to an increased awareness for West Nile virus and the need for controlling invasive plants.

A summary of total district revenues, expenses and changes in net assets is presented in the Table 2.

**SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2006**

Table 3: Cost of Services

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Mosquito Abatement Services	\$ 2,791,974	\$ (2,473,631)	\$ 2,383,452	\$ (2,116,082)
Interest and Fiscal Charges	67,155	(67,155)	78,750	(78,750)
Total Government Activities	\$ 2,859,129	\$ (2,540,786)	\$ 2,462,202	\$ (2,194,832)

This table displays, by function, the total and net costs of services provided for the 2006 and 2005 fiscal years. The net cost of services represents the total cost less operating grants and contributions and for revenue received where a charge is made for services provided.

Contractual abatement services have accounted for an additional 19% increase over last year. Federal and State agencies, sewage treatment plants, cities, and private entities are requesting the District to provide additional mosquito surveillance and control operations to control the increased threat of West Nile virus. No agencies want to be held responsible for breeding mosquitoes, which have caused sickness or death by West Nile virus.

The District has embarked on year three out of five for treatment of invasive spartina cordgrass in San Francisco Bay Estuary areas. This project is sponsored by U.S. Fish and Wildlife and the Coastal Conservancy.

The District has increased the number of helicopter treatments for Sharp Park Golf Course, Mills Field and Jasper Ridge Biological Preserve. The ponds on those sites breed the tulle mosquito, which is an important vector of West Nile virus.

Mosquito control operations on Bair Island Ecological Reserve for the period July 05 – June 06, reached an all time high of \$86,448. The winter heavy rains caused the heavy salt marsh mosquito populations. The significant adult mosquito populations have forced the District into implementing an aggressive fogging operation to control the persistent adult salt marsh mosquitoes at a cost of \$52,000. Abatement services provided on Bair Island for mosquito larvae were subsequently billed to California Fish and Game for payment. The District did not bill for fogging operations. The U.S. Fish and Wildlife Service do not reimburse the District for abatement services provided on their properties. During the period July 05 – June 06 the billing totaled \$22, 203.

**SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2006**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Table 4: District's Fund Balances

	Fund Balance <u>June 30, 2006</u>	Fund Balance <u>June 30, 2005</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 2,206,787	\$ 2,023,842	\$ 182,945	9%
Capital Projects	2,065,237	1,580,915	484,322	31%
Total	<u>\$ 4,272,024</u>	<u>\$ 3,604,757</u>	<u>\$ 667,267</u>	<u>19%</u>

As the District completed this year, our governmental funds reported a combined fund balance of \$4,272,024, which is \$667,267 increase from last year. The overall increase is due to the additional revenue generated from the benefit assessment in the newly annexed areas of San Mateo County and abatement service contracts.

General Fund Budgetary Highlights

The Governing Board adopted the District's 2005-2006 General Fund operating budget in June of 2005. As adopted, projected expenditures totaled \$2,676,147. The District has budgeted revenues totaling \$3,258,427. In fiscal year 2005-2006, revenues are projected to exceed expenses by approximately \$582,280.

There were several budgetary items of interest that significantly influenced the operational programs:

1. Staff was increased in Operations and Laboratory to provide necessary support services for increased West Nile virus surveillance. The District was prepared for a 15.59% increase in salaries and benefits for the additional staff.
2. The pesticide budget was increased by 17.45% from the previous fiscal year. This was an estimate of what would be needed to control mosquitoes in the entire District boundaries and provide preventative treatments in the wake of West Nile virus.
3. Helicopter usages in areas requiring aerial spraying were increased for mosquito control operations.
4. With the cost of gasoline exceeding \$3.00 per gallon, costs have increased the gasoline budget by 35.40%.

**SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2006**

5. Working in conjunction with the Coastal Conservancy and U.S. Fish and Wildlife on the control of invasive spartina cordgrass, the materials and equipment budgets were increased approximately 27.23% to accommodate the additional work. The program will continue for several years, with the outcome benefiting the District with a reduction of mosquito breeding sources.
6. With the increase in the number of vehicles, the cost of maintenance of those vehicles rose 22.06% over the previous year. The District is utilizing the skills of a full-time mechanic to cut costs, rather than sending vehicles to repair facilities.

CAPITAL ASSET

At June 30, 2006, the District had \$3,708,470 in capital assets with a net accumulated depreciation of \$1,115,051, including land, buildings and furniture and equipment. The District currently uses \$600 as its capitalization threshold.

1. The District completed construction on a new parking garage and fishpond building. The final cost was \$465,044. It includes a carwash unit, a bathroom and locker room and parking bays for 6 vehicles.
2. With our growing staff, the District purchased three new Ford Ranger trucks for use in the field and one Ford Explorer for the Manager. The cost of the vehicles was \$107,069.
3. The District purchased an all terrain vehicle (ARGO) for pesticide dispersal in marshland at a cost of \$28,808. The cost includes a specialized tank sprayer, trailer and tracks. This brings the number of ARGOS to four.
4. The Laboratory department purchased a new dissecting microscope at a cost of \$7,365. Its function is to identify mosquitoes and other vectors. It has a camera attached to photograph and project insect taxonomy for classroom and presentation events. The camera will be purchased in a subsequent year.
5. Two Assistant Vector Ecologists were hired to assist the Lab with increasing disease surveillance for West Nile virus and other programs. Allowances in the budget were made to cover payroll and benefits for the new staff.
6. Three new Ultra Low Volume (ULV) sprayers were purchased at a total cost of \$9,516. These sprayers will be utilized in the event that we must do adulticiding for the prevention of West Nile virus. Several other pieces of operational equipment were purchased to assist the field technicians with everyday work. These pieces included a chain saw (\$675), two backpack sprayers (\$1,936.04) and a parts washer for \$1,186.
7. Two new desktop computers and three new laptop computers were purchased for a cost of \$8,810. All Administrative and Lab personnel must be kept up to date in software and

**SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2006**

technology to stay at the forefront of today's changing electronic landscape. An upgrade to the network virus protection software had to be added at a cost of \$1,010.

Table 5: Capital Assets

	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Change</u>	<u>Percentage Change</u>
Land	\$ 91,167	\$ 91,167	\$ -	0%
Construction in Progress	-	30,506	(30,506)	-100%
Buildings and Improvements	3,510,534	3,047,918	462,616	15%
Furniture and Equipment	1,221,820	1,055,322	166,498	16%
Accumulated Depreciation	(1,115,051)	(918,070)	(196,981)	21%
Total Capital Assets	\$ 3,708,470	\$ 3,306,843	\$ 401,627	12%

DEBT ADMINISTRATION

Long Term Debt at Year End

The District issued certificates of participation in the amount of \$2,275,000 with interest rates ranging from 4.55% to 5.50%. Proceeds from the certificates are used for the construction of the new building. The District is committed to make principal and interest payments at June 30 as well as interest payments at December 31, pursuant to an agreement with BNY Western Trust Co. At June 30, 2006, the principal balance outstanding was \$1,275,000 with \$235,000 due within one year.

Factors bearing on the District's future

The San Mateo County Mosquito Abatement District (District) management has provided a "Safe Harbor Statement" for the financial future of the District. Management is committed to fiscal responsibility and is judicially managing the finances of the District to a debt-free status.

District residents and business owners pay a percentage of their property tax, from each parcel, for Local Government (District) to provide abatement services to their community. Since 1993, State Government has shifted a percentage of local property tax to pay for state funded education, through the Education Revenue Augmentation Fund (ERAF.). In 2003/2004 and 2004/05, the District shifted \$229,449 and 239,591, respectively, of local revenue to the State. The District shifted \$262,794 of local revenue for ERAF in 2005/06.

**SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2006**

In 2005, California Governor Schwarzenegger signed legislation exempting Mosquito and Vector Control Districts from further increases to the 17% of property taxes used to calculate the ERAF shift. Currently, the State Legislature is looking into exempting Mosquito and Vector Control District entirely from ERAF funding in the future.

With the emergence of West Nile virus, Districts throughout California have requested assistance from the State Government. In July 2005, Governor Schwarzenegger appropriated funding to supplement resources for local mosquito control efforts to mitigate the threat of West Nile virus transmission. Our District requested and received \$195,628. This money supplemented current funding and was specifically directed at purchasing biorational larvicide pesticides, vehicles and pesticide dispersal equipment. This equipment and pesticides were directed for use in the newly annexed areas of the county to make sure we have a strong program for prevention of such a serious health threat. This amount may differ in subsequent years.

Contacting the District Financial Management

This financial report is designed to provide citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional financial information, contact Ms. Karen Williams, Finance Administrator for the San Mateo County Mosquito Abatement District, 1351 Rollins Road, Burlingame, California 94010.

Basic Financial Statements

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2006

ASSETS

Cash and investments	\$ 3,957,049
Investments held in trust	230,313
Inventory	111,890
Capital assets, net	<u>3,708,470</u>
 Total Assets	 <u><u>\$ 8,007,722</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 131
Accrued liabilities	27,097
Interest payable	4,672

Long Term Liabilities:

Due within one year:	
Certificate of participation	235,000
Due in more than one year:	
Compensated absences	142,686
Certificate of participation	<u>1,040,000</u>

Total Liabilities	<u><u>\$ 1,449,586</u></u>
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Net Assets:

Invested in capital assets, net related debt	\$ 2,433,470
Restricted for debt service	230,313
Unrestricted	<u>3,894,353</u>
 Total Net Assets	 <u><u>\$ 6,558,136</u></u>

See accompanying notes to financial statements.

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Expenses:	
Mosquito abatement:	
Personal services	\$ 1,604,058
Services and supplies	986,390
Depreciation	201,526
Interest expense	67,155
	<hr/>
Total program expenses	2,859,129
	<hr/>
Program revenues:	
Charges for services	318,343
	<hr/>
Net program expense	(2,540,786)
	<hr/>
General revenues:	
Property taxes	1,298,390
Special mosquito control tax	440,552
Other taxes	140,940
Special benefit assessment	1,286,889
Investment earnings	111,984
Dividend income	8,204
Miscellaneous revenue	401,590
Special Item:	
Loss on disposal of capital assets	(548)
	<hr/>
Total general revenues and special item	3,688,001
	<hr/>
Increase in net assets	1,147,216
	<hr/>
Net assets - beginning of the year	5,410,920
	<hr/>
Net assets - end of the year	\$ 6,558,136
	<hr/> <hr/>

See accompanying notes to financial statements.

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

**BALANCE SHEET
AND RECONCILIATION TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash in county treasury	\$ 1,953,241	\$ 1,834,924	\$ 3,788,165
Cash held in trust	-	230,313	230,313
Petty cash	200	-	200
Investment in VCJPA	168,684	-	168,684
Inventory	111,890	-	111,890
Total Assets	<u>\$ 2,234,015</u>	<u>\$ 2,065,237</u>	<u>\$ 4,299,252</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 131	\$ -	\$ 131
Accrued payroll	27,097	-	27,097
Total Liabilities	<u>27,228</u>	<u>-</u>	<u>27,228</u>
Fund balances:			
Reserved for:			
Investment in VCJPA	168,684	-	168,684
Inventory	111,890	-	111,890
Unreserved:			
Designated for:			
Capital projects	-	2,065,237	2,065,237
Compensated absences	142,686	-	142,686
Undesignated	1,783,527	-	1,783,527
Total Fund Balances	<u>2,206,787</u>	<u>2,065,237</u>	<u>4,272,024</u>
Total Liabilities and Fund Balances	<u>\$ 2,234,015</u>	<u>\$ 2,065,237</u>	<u>\$ 4,299,252</u>
Total Fund Balances			\$ 4,272,024
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:			
Amounts reported for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$4,823,521 and the accumulated depreciation is \$1,115,051.			3,708,470
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consists of:			
Certificated of participation			(1,275,000)
Accrued compensated absences			(142,686)
Interest expense is recorded as paid in the funds instead of when the liability is incurred.			(4,672)
Net assets of governmental activities			<u>\$ 6,558,136</u>

See accompanying notes to financial statements.

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
AND RECONCILIATION TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Property taxes	\$ 1,298,390	\$ -	\$ 1,298,390
Special mosquito control tax	440,552	-	440,552
Other taxes	140,940	-	140,940
Inspection services	318,343	-	318,343
Special benefit assessment	1,286,889	-	1,286,889
Investment earnings	78,738	33,246	111,984
Dividend income	-	8,204	8,204
Miscellaneous revenue	205,961	195,629	401,590
	<u>3,769,813</u>	<u>237,079</u>	<u>4,006,892</u>
EXPENDITURES			
Current:			
Personal services	1,564,398	-	1,564,398
Services and supplies	921,284	17,302	938,586
Debt service:			
Principal	-	220,000	220,000
Interest	-	68,163	68,163
Capital outlay	4,212	647,293	651,505
	<u>2,489,894</u>	<u>952,758</u>	<u>3,442,652</u>
Excess (deficiency) of revenues over expenditures	<u>1,279,919</u>	<u>(715,679)</u>	<u>564,241</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	1,200,000	1,200,000
Transfers out	<u>(1,200,000)</u>	<u>-</u>	<u>(1,200,000)</u>
Total other financing sources (uses)	<u>(1,200,000)</u>	<u>1,200,000</u>	<u>-</u>
Change in fund balance	79,919	484,322	564,241
Fund balances - beginning	2,023,842	1,580,915	3,604,757
Prior period adjustment	103,026	-	103,026
Fund balances - beginning as restated	<u>2,126,868</u>	<u>1,580,915</u>	<u>3,707,783</u>
Fund balances - ending	<u>\$ 2,206,787</u>	<u>\$ 2,065,237</u>	<u>\$ 4,272,024</u>
Change in fund balance			\$ 564,241
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:			
Capital outlays are reported in governmental funds as expenditures. In the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense.			
Capital outlay (\$603,701) exceeded depreciation expense (\$201,526) by:			
			402,175
Governmental funds do not report loss on disposal of capital assets. However, in the government-wide statement of activities and changes in net assets, the cost to dispose of capital assets, net any proceeds, is accounted for as a special item.			
			(548)
The governmental funds report debt proceeds as another financing source, while repayment of debt principal is reported as an expenditure. The net effect of these differences in the treatment of long-term debt and related items is as follows:			
			220,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.			
			1,008
In the statement of activities, compensated absences are measured by the amount earned during the year. In governmental funds, expenditures for those items are recognized when due.			
			(39,660)
Change in net assets of governmental activities			<u>\$ 1,147,216</u>

See accompanying notes to financial statements.

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2006

1. SIGNIFICANT ACCOUNTING POLICIES

A. The District

The San Mateo County Mosquito Abatement District (the "District") is a special district established in 1916 empowered to take all necessary and proper steps for the extermination of mosquitoes, flies or other insects within the District. An operating budget is adopted annually.

In the fiscal year ended June 30, 2005, the District expanded their services to the cities of San Bruno, South San Francisco, Daly City, Colma, Brisbane, Pacifica and Half Moon Bay, which encompass the North and West County District ("NWCD"). The activity related to the NWCD is accounted for in a special benefit assessment revenue line item and included in the District's operating budget.

The District is an integral part of the County of San Mateo (the "County") and the accompanying financial statements are included as a component unit of the financial statements prepared by the County. The County performs certain administrative services such as collection of the tax dollars and maintenance of the bank reconciliation at a set fee.

The District evaluated whether any other entity should be included in these financial statements. The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the ability of the governmental unit's elected officials to exercise oversight responsibility over such agencies. Oversight responsibility implies that one governmental unit is dependent on another and that the dependent unit should be reported as part of the other. Oversight responsibility is derived from the governmental unit's power and includes, but is not limited to:

- Financial interdependency
- Selection of governing authority
- Designation of management
- Ability to significantly influence operations
- Accountability for fiscal matters

Based on the above criteria, the District determined that there were not any component units as of June 30, 2006.

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

B. Basis of Presentation

Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the District.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government wide statements and the statements for the governmental funds.

The government-wide statement of activities presents direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. All of the District's funds were considered major.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Available” means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, “available” means collectible within the current period or within 60 days after year-end.

Non-exchange transactions, in which the District receives value *without* directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue:

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period have also been recorded as deferred revenue.

Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, than unrestricted resources as they are needed.

D. Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, revenues, and expenditures or expenses, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District's accounts are organized into major funds as follows:

- The *general fund* is used to account for all financial resources except those to be accounted for in another fund or account group.
- The *capital projects fund* is used to account for financial resources to be used for the acquisition or construction of major capital assets. It is also used to pay debt service requirements on the District's certificates of participation.

E. Budget

The District annually adopts a budget for its general fund to be effective July 1 for the ensuing fiscal year. The District's Board may amend the budget by resolution during the fiscal year and approves all budgetary transfers.

F. Cash and Investments

Cash balances held in banks and in revolving funds are insured to \$100,000 by the Federal Depository Insurance Corporation ("FDIC").

The District maintains substantially all its cash in the San Mateo County Treasury. The county pools these funds with those of other Districts in the county and invests the cash. These pooled funds are carried at cost, which approximates fair value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

G. Inventories

Inventories of insecticides, herbicides and oil are valued at cost on a first-in first-out basis.

H. Capital Assets

Capital assets are those purchased or acquired with an original cost of \$600 or more and are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset's lives are not capitalized, but are expensed as incurred. Depreciation on all capital assets is computed using a straight-line basis over the following estimated useful lives:

Asset Class	Examples	Estimated Useful Life in Years
Land		
Construction in progress		
Buildings & improvements	Paving, retaining walls, sidewalks, fencing, outdoor lighting	7-50
Furniture and equipment	Computers, other equipment and furniture	5-20
Vehicles	Service trucks & other on-road vehicles	5-15

I. Compensated Absences

All vacation and sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The District's accrued compensated absences were \$142,686 at June 30, 2006. In the fund financial statements, the District has designated this same amount of its fund balance.

If sick leave and vacation is not used by the employee during the term of employment, compensation is payable to the employee at the time of retirement calculated in accordance with District policy. Such compensation is calculated at employees' then prevalent hourly rate at the time of retirement or termination. Whereas vacation is compensated at 100% of accumulated hours, sick leave is accrued and compensated only at retirement or termination based on the years of employment with a maximum limitation of \$7,500.

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

J. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

In the fund financial statements, the face amount of the debt issued, premiums, or discounts are reported as other financing sources/uses.

K. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not appropriable for expenditure or amounts legally segregated for a specific future use. The reserves for revolving fund, stores inventory, prepaid expenditures and legally restricted balances reflect the portions of fund balance represented by each respective account. These amounts are not available for appropriation and expenditure at the balance sheet date.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

L. Net Assets

Net asset represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the district or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

2. PROPERTY TAX LEVY, COLLECTION, AND MAXIMUM RATES

The State of California Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed 1% of its assessed value unless voters have approved an additional amount. Assessed value is calculated at 100% of market value as defined by Article XIII A and may be increased by no more than 2% per year unless the property is sold or transferred. State Legislature has determined the method of distribution of receipts from a 1% tax levy among counties, cities, school districts and other special districts. Counties, cities and school districts may levy such additional tax as is necessary to provide for voter approved debt service. The County of San Mateo assesses properties, bills, and collects property taxes as follows:

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

	<u>Secured</u>	<u>Unsecured</u>
Valuation dates	March 1	March 1
Lien/levy dates	July 1	July 1
Due dates	50% on November 1 50% on February 1	Upon receipt of billing
Delinquent as of	December 10 (for November) April 10 (for February)	August 31

The term "unsecured" refers to taxes on property not secured by liens on real property.

Property taxes levied are recorded as revenue when received, in the fiscal year of levy, because of the adoption of the "alternate method" of property tax distribution, known as the Teeter Plan, by the San Mateo County Mosquito Abatement District and the County of San Mateo. The Teeter Plan authorizes the auditor-controller of the County of San Mateo to allocate 100% of the secured property tax billed but not yet paid. The County of San Mateo remits tax monies to the District in three installments, as follows: 50% remitted on December 15; 40% remitted on April 15; 10% remitted on June 30.

3. CASH AND INVESTMENTS

Cash and investments consisted of the following at June 30, 2006:

	<u>Carrying Amount</u>	<u>Investment Rating</u>
Petty Cash	\$ 200	NA
Cash in County Treasury	3,788,165	AA/V1+
Cash - Held in Trust	230,313	NA
Investment in VCJPA	168,684	NA
Total Cash and Investments	<u>\$ 4,187,362</u>	

The District's cash is deposited with the Treasurer of the County of San Mateo. The Treasurer invests the cash in a pool under policy guidelines established by the County. Credit risk, concentration of credit risk, and interest rate risk (as applicable) regarding the cash held by the Treasurer is included in the Comprehensive Annual Financial Report of the County of San Mateo. The credit risk, concentration of credit risk, and interest rate risk (as applicable) of the pooled investment in the Vector Control Joint Powers Agency is included in the financial statements of the Vector Control Joint Powers Agency.

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

4. CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2006:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Land - not depreciable	\$ 91,167			\$ 91,167
Building	3,047,918	465,044	(2,428)	3,510,534
Structure and equipment	889,124	169,163	(2,665)	1,055,622
Furniture and fixture	166,198			166,198
Construction in progress	30,506		(30,506)	-
Total capital assets	4,224,913	634,207	(35,599)	4,823,521
Less accumulated depreciation for:				
Building	323,197	84,818	(2,428)	405,587
Structure and equipment	537,316	100,622	(2,117)	635,821
Furniture and fixture	57,557	16,086		73,643
Total accumulated depreciation	918,070	201,526	(4,545)	1,115,051
Total capital assets - net depreciation	\$ 3,306,843	\$ 432,681	\$ (31,054)	\$ 3,708,470

Depreciation expense of \$201,526 was charged to governmental activities.

5. LONG TERM DEBT

In April 2001, the District issued certificates of participation in the amount of \$2,275,000 with interest rates ranging from 4.55% to 5.50%. Proceeds from the certificates are used for the construction of the new building. The District is committed to make principal and interest payments at June 30 as well as interest payments at December 31, pursuant to an agreement with BNY Western Trust Co.

The certificates mature through 2011 as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2007	235,000	56,063	291,063
2008	245,000	46,193	291,193
2009	255,000	35,657	290,657
2010	265,000	24,437	289,437
2011	275,000	12,512	287,512
Totals	<u>\$ 1,275,000</u>	<u>\$174,862</u>	<u>\$1,449,862</u>

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

A schedule of changes in long-term debt for the year ended June 30, 2006 is as follows:

	Balance			Balance		Current
	July 1, 2005	Additions	Payments	June 30, 2006	Portion	
Certificate of participation	\$ 1,475,000	\$ -	\$ 220,000	\$ 1,255,000	\$ 235,000	
Compensated absences	103,026	39,660	-	142,686	-	
Total	\$ 1,578,026	\$ 39,660	\$ 220,000	\$ 1,397,686	\$ 235,000	

6. **INTERFUND TRANSFERS**

Interfund Transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ -	\$1,200,000
Capital Projects	\$ 1,200,000	\$ -

Transfers from the General Fund to the Capital Projects Fund were to provide funding for capital projects and debt services.

7. **SELF-INSURANCE AND JOINT POWERS AGENCY**

The District participates with other districts in a joint venture under a joint powers agreement, which establishes the Vector Control Joint Powers Agency ("VCJPA"). The relationship between the District and the VCJPA is such that the VCJPA is not a component unit of the District for financial reporting purposes.

The District is covered for the first \$1,000,000 of each general liability claim and \$350,000 of each worker's compensation claim through the VCJPA. The District has the right to receive dividends or the obligation to pay assessments based on a formula, which, among other expenses, charges the District's account for liability losses and workers' compensation losses under their individual self-insured retention ("SIR"). The VCJPA participates in an excess pool, which provides general liability coverage above \$1,000,000 for each occurrence to \$14,000,000.

The VCJPA also participates in an excess pool, which provides workers' compensation coverage from \$350,000 to \$150,000,000.

The VCJPA is a consortium of thirty-four districts located throughout California. It was established under the provisions of California Government Code Section 6500 et seq. The VCJPA is governed by a Board of Directors, which meets 4-5 times per year, consisting of one member from each of the four regions (Coastal, Sacramento Valley, San Joaquin Valley, and Southern California) and two members from the Trustee Advisory Council.

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2006

The financial position and results of operations for the VCJPA as of June 30, 2006 (unaudited), was as follows:

	<u>VCJPA</u>
Total Assets	\$ 17,159,153
Total Liabilities	4,791,591
Fund Balance	12,367,562
Total Revenues	2,941,272
Total Expenditures	2,986,247
Net Decrease in Fund Balance	(44,975)

The District's share of the VCJPA's Members Trust Fund and Property Contingency Fund balance at June 30, 2006, was \$132,532 and \$36,152, respectively. The balance includes interest earning and may be withdrawn upon leaving the plan with a sixty-day notice. At termination of the joint powers agreement and after all claims have been settled, any excess or deficit will be divided among the Districts in accordance with its governing documents.

8. DEFERRED COMPENSATION

The District offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all District regular full time employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, resignation, retirement, death or an unforeseeable emergency.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributed to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the District (without being restricted to the provisions of the benefits under the plans), subject only to the claims of the District's general creditors. Participants' rights under the plans are equal to those of general creditors of the District in an amount equal to the fair market value of the deferred account for each participant.

In accordance with Small Business Job Protection Act of 1996, all deferred compensation plan assets are held in trust for the exclusive benefit of participating employees and are not accessible by the District or its creditors. Accordingly, these assets have been removed from the District's financial statements.

9. DEFINED RETIREMENT CONTRIBUTION PLAN

The District is a member of the San Mateo County Employees Retirement Association Plan I, Plan II and Plan IV, which provides pension benefits for all of its regular full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2006

eligible and required to participate from the date of employment. Contributions to the retirement system for Plans I, II, and IV are made by both the member and the District. The rate of contribution for a member is determined by age at entrance into the system and date of hire. Any new employee hired on or after July 6, 1980 is under retirement Plan II and any employee hired before that date is under Plan I. Employees hired after July 12, 1997 are under Plan IV.

The retirement fund is a trust fund created for the sole purpose of providing benefits to retirees and future retirees employed by the District. An employee who terminates and withdraws their contributions is not entitled to receive any of the District's contributions. The contributions, by law, can only be received at the time of retirement in the form of a lifetime, monthly retirement allowance to the employee and his/her beneficiary named at the time of retirement.

The District's total payroll for the fiscal year ended June 30, 2006, was \$1,140,021. The District's contributions were calculated using the base salary amount of \$1,105,231. Both the District and the covered employees made the required contributions totaling \$136,784 and \$60,893, respectively.

10. PRIOR PERIOD ADJUSTMENT

The District's June 30, 2006 governmental fund financial statements included a long-term liability for compensated absences. However, long-term liabilities and their related expenditures should only be recognized in the funds when they mature (or when due). Accordingly, a prior period adjustment in the amount of \$103,026 has been recorded to restate beginning fund balance.

SUPPLEMENTARY INFORMATION

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

**SCHEDULE OF GENERAL FUND EXPENDITURES
ACTUAL (NON-GAAP) VS. BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
SALARIES AND EMPLOYEE BENEFITS:			
Full time regular positions	\$ 1,180,000	\$ 1,140,021	\$ 39,979
Part time regular positions	100,707	76,546	24,161
Retirement plan	146,000	136,784	9,216
Dental insurance	26,000	21,598	4,402
Health insurance	158,000	145,355	12,645
Vision insurance plan	3,200	2,860	340
Medicare insurance	17,500	16,356	1,144
Long-term disability	13,500	11,454	2,046
Social Security	6,500	4,746	1,754
Unemployment insurance	9,300	8,678	622
Total Salaries and Employee Benefits	<u>1,660,707</u>	<u>1,564,398</u>	<u>96,309</u>
SERVICES AND SUPPLIES:			
Agricultural supplies	294,000	240,471	53,529
Clothing	28,900	25,237	3,663
Electricity and gas	20,000	16,526	3,474
Gas, oil and grease	56,500	46,375	10,125
General maintenance	9,950	4,316	5,634
Household	2,200	1,935	265
Liability insurance	46,000	45,356	644
Worker's Compensation	38,000	37,925	75
Medical and laboratory	4,900	1,624	3,276
Meetings and conferences	84,200	54,887	29,313
Memberships	14,435	14,353	82
Miscellaneous repair	61,200	46,219	14,981
Office	28,370	17,790	10,580
Service and consultation	184,450	156,900	27,550
Special	175,000	174,800	200
Telephone	20,500	14,686	5,814
Tools and instruments	20,300	18,606	1,694
Water and sewer disposal	5,000	3,244	1,756
Equipment	4,735	4,212	523
Total Services and Supplies	<u>1,098,640</u>	<u>925,462</u>	<u>173,178</u>
TOTAL BUDGETED EXPENDITURES	<u>\$ 2,759,347</u>	<u>2,489,860</u>	<u>\$ 269,487</u>
Compensated absences accrual		<u>(6,108)</u>	
TOTAL EXPENDITURES		<u>\$ 2,483,752</u>	

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

**SCHEDULE OF SUB-FUND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>SMCMAD</u>	<u>NORTH WEST COUNTY</u>	<u>TOTAL GENERAL FUND</u>
SALARIES AND EMPLOYEE BENEFITS:			
Full time regular positions	\$ 659,847	\$ 480,174	\$ 1,140,021
Part time regular positions	42,209	34,337	76,546
Retirement plan	78,904	57,880	136,784
Dental insurance	12,959	8,639	21,598
Health insurance	87,213	58,142	145,355
Vision insurance plan	1,716	1,144	2,860
Medicare insurance	9,435	6,921	16,356
Long-term disability	6,872	4,582	11,454
Social Security	2,617	2,129	4,746
Unemployment insurance	5,094	3,584	8,678
Total Salaries and Employee Benefits	<u>906,866</u>	<u>657,532</u>	<u>1,564,398</u>
SERVICES AND SUPPLIES:			
Agricultural supplies	122,965	117,506	240,471
Clothing	15,142	10,095	25,237
Electricity and gas	9,916	6,610	16,526
Gas, oil and grease	27,825	18,550	46,375
General maintenance	2,589	1,727	4,316
Household	1,161	774	1,935
Liability insurance	43,037	2,319	45,356
Worker's Compensation	37,925	-	37,925
Medical and laboratory	975	650	1,624
Meetings and conferences	32,932	21,955	54,887
Memberships	8,612	5,741	14,353
Miscellaneous repair	27,731	18,488	46,219
Office	10,486	7,304	17,790
Service and consultation	94,140	62,760	156,900
Special	104,877	69,923	174,800
Telephone	8,812	5,874	14,686
Tools and instruments	11,164	7,442	18,606
Water and sewer disposal	1,947	1,297	3,244
Equipment	2,527	1,685	4,212
Total Services and Supplies	<u>564,762</u>	<u>360,700</u>	<u>925,462</u>
TOTAL BUDGETED EXPENDITURES	1,471,629	1,018,231	2,489,860
Compensated absences accrual	<u>(6,108)</u>	<u>-</u>	<u>(6,108)</u>
TOTAL EXPENDITURES	\$ 1,465,521	\$ 1,018,231	\$ 2,483,752

Continued

Schedule 2

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

**SCHEDULE OF SUB-FUND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>SMCMAD</u>	<u>NORTH WEST COUNTY</u>	<u>TOTAL CAPITAL PROJECTS FUND</u>
LONG TERM DEBT:			
Repayment of loan	\$ 176,792	\$ 111,371	\$ 288,163
Legal and administration	31	20	51
Total Long Term Debt	<u>176,823</u>	<u>111,391</u>	<u>288,214</u>
SERVICES AND SUPPLIES:			
Miscellaneous repair	10,351	6,900	17,251
Structure/Improvements	286,469	190,979	477,448
Equipment	<u>101,907</u>	<u>67,938</u>	<u>169,845</u>
Total Services and Supplies	<u>398,726</u>	<u>265,818</u>	<u>664,544</u>
TOTAL EXPENDITURES	<u>\$ 575,550</u>	<u>\$ 377,208</u>	<u>\$ 952,758</u>

Concluded

Schedule 2

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

**MEMBERS OF THE BOARD OF TRUSTEES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

BOARD MEMBER	OFFICE	CITY/TOWN REPRESENTED
Leon Nickolas	President	Millbrae
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Robert Bury	Member	Redwood City
Betsey Schneider	Member	San Carlos
Roland Finley	Member	San Mateo
Cal Hinton	Member	San Mateo County
Raymond Honan	Member	South San Francisco

DISTRICT MANAGER

Robert Gay

CLERK OF THE BOARD

Karen Williams

Other Independent Auditor's Report



C. G. UHLENBERG LLP

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

ROBERT E. BARSANTI, C.P.A. (RETIRED) PEGGY H. CHEN, C.P.A. JEFFREY J. IRA, C.P.A. KATHERINE CHAO, C.P.A. JULIE T. LIN, C.P.A.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Trustees
San Mateo County Mosquito Abatement District
Burlingame, California

We have audited the basic financial statements of San Mateo County Mosquito Abatement District as of and for the year ended June 30, 2006, and have issued our report thereon dated October 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered San Mateo County Mosquito Abatement District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Mateo County Mosquito Abatement District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

C. G. Uhlenberg LLP

October 1, 2006
Redwood City, California

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