

**SAN MATEO COUNTY MOSQUITO
AND VECTOR CONTROL DISTRICT**

AUDIT REPORT
JUNE 30, 2008

* * *

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

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C. G. UHLENBERG LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

PEGGY H. CHEN, C.P.A. JEFFREY J. IRA, C.P.A. KATHERINE CHAO, C.P.A. JULIE T. LIN, C.P.A.

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
San Mateo County Mosquito and Vector Control
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 and Vector Control (the "District"), as of and for the year ended June 30, 2008, 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, 2008, 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 January 8, 2009, on our consideration of San Mateo County Mosquito and Vector Control'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 11 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

January 8, 2009
Redwood City, California

Management's Discussion and Analysis

**SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2008**

This section of the San Mateo County Mosquito and Vector Control District's 2007/08 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2008. This management 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 \$8,683,555 as of June 30, 2008.
- Total assets of governmental activities were \$9,695,540. Cash and investments were \$4,999,419 and capital assets were \$4,474,189 of total net assets.
- General revenues accounted for \$3,723,042 or 89% of all revenues.
- The District had \$3,172,243 in program expenses; only \$472,609 of these expenses was offset by program specific charges for services.
- Total government-wide revenues for fiscal year 07-08 were \$4,195,651.

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 AND VECTOR CONTROL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2008**

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 is an 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 basis of 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 AND VECTOR CONTROL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2008**

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, 2007.

Table 1: Net Assets

| | <u>June 30, 2008</u> | <u>June 30, 2007</u> | <u>Change</u> | <u>Percentage Change</u> |
|---|----------------------|----------------------|---------------------|------------------------------|
| Assets | | | | |
| Current and Other Assets | \$ 5,221,351 | \$ 4,903,713 | \$ 317,638 | 6% |
| Capital Assets | 4,474,189 | 3,981,637 | 492,552 | 12% |
| Total Assets | \$ 9,695,540 | \$ 8,885,350 | \$ 810,190 | 9% |
| Liabilities | | | | |
| Long-Term Liabilities | \$ 795,000 | \$ 1,040,000 | \$ (245,000) | -24% |
| Other Liabilities | 216,985 | 185,202 | 31,783 | 17% |
| Total Liabilities | \$ 1,011,985 | \$ 1,225,202 | \$ (213,217) | -17% |
| Net Assets | | | | |
| Invested in Capital Assets, Net of Debt | \$ 3,679,189 | \$ 2,941,637 | \$ 737,552 | 25% |
| Restricted | 228,464 | 231,259 | (2,795) | -1% |
| Unrestricted | 4,775,902 | 4,487,251 | 288,651 | 6% |
| Total Net Assets | \$ 8,683,555 | \$ 7,660,147 | \$ 1,023,408 | 13% |

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

Capital assets of existing structures were slightly reduced due to accumulated depreciation. In May 2007, the District started the acquisition of a piece of property in Redwood City that previously belonged to the District. The purchase was finalized in July 2007 and the District is in process of construction. This accounted for the 12% increase in Capital assets.

The long term liabilities decreased by 24% because of 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.

Other liabilities increased by 17% due to an increase in the compensated absences balance.

**SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2008**

Table 2: Changes in Net Asset

| | <u>June 30, 2008</u> | <u>June 30, 2007</u> | <u>Change</u> | <u>Percentage Change</u> |
|-------------------------------|----------------------|----------------------|--------------------|------------------------------|
| Revenues | | | | |
| Program Revenues: | | | | |
| Charges for services | \$ 472,609 | \$ 533,633 | \$ (61,024) | -11% |
| General Revenues: | | | | |
| Property taxes | 1,483,599 | 1,391,366 | 92,233 | 7% |
| Special Mosquito Control Tax | 441,840 | 441,143 | 697 | 0% |
| Other Taxes | 154,909 | 131,298 | 23,611 | 18% |
| Special Benefit Assessment | 1,351,917 | 1,311,456 | 40,461 | 3% |
| Investment Earnings | 190,960 | 223,144 | (32,184) | -14% |
| Miscellaneous Revenue | 99,817 | 124,112 | (24,295) | -20% |
| Total Revenues | 4,195,651 | 4,156,152 | 39,499 | 1% |
| Program Expenses | | | | |
| Mosquito Abatement Services | 2,801,459 | 2,749,035 | 52,424 | 2% |
| Interest and Fiscal Charges | 46,193 | 51,726 | (5,533) | -11% |
| Depreciation expenses | 324,591 | 252,211 | 72,380 | 29% |
| Total Expenses | 3,172,243 | 3,052,972 | 119,271 | 4% |
| Increase in Net Assets | \$ 1,023,408 | \$ 1,103,180 | \$ (79,772) | -7% |

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 decrease (11%) in charges for services, which can be attributed to a reduction in the need for controlling invasive plants.

Other changes in general revenues include other taxes increased by 18% due to the ERAF shift, investment earnings decreased by 14% due to declines in interest rates, and miscellaneous revenue decreased by 20% due to lower West Nile funds.

**SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2008**

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

Table 3: Cost of Services

| | Total Cost of Services 2008 | Net Cost of Services 2008 | Total Cost of Services 2007 | Net Cost of Services 2007 |
|------------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Mosquito Abatement Services | \$ 3,126,050 | \$ (2,653,441) | \$ 3,001,246 | \$ (2,467,613) |
| Interest and Fiscal Charges | 46,193 | (46,193) | 51,726 | (51,726) |
| Total Government Activities | \$ 3,172,243 | \$ (2,699,634) | \$ 3,052,972 | \$ (2,519,339) |

This table displays, by function, the total and net costs of services provided for the 2008 and 2007 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 7% 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 the last year 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, Jasper Ridge Biological Preserve and San Francisco International Airport. 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 07 – June 08, were below average due to restricted winter rains.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Table 4: District's Fund Balances

| | Fund Balance June 30, 2008 | Fund Balance June 30, 2007 | Increase (Decrease) | Percentage Change |
|------------------|-------------------------------|-------------------------------|------------------------|----------------------|
| General | \$ 2,764,476 | \$ 2,592,869 | \$ 171,607 | 7% |
| Capital Projects | 2,420,429 | 2,281,662 | 138,767 | 6% |
| Total | \$ 5,184,905 | \$ 4,874,531 | \$ 310,374 | 6% |

**SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2008**

As the District completed this year, our governmental funds reported a combined fund balance of \$5,184,905, which is a \$310,374 increase from last year. The overall increase is due to the capital projects.

General Fund Budgetary Highlights

The Governing Board adopted the District's 2007-2008 General Fund operating budget in June of 2007. As adopted, projected expenditures totaled \$2,999,085. The District budgeted revenues totaled \$3,675,202. In fiscal year 2007-2008, revenues were projected to exceed expenses by approximately \$676,117.

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

1. Staffing levels remained fairly stable in all departments to provide necessary support services for increased West Nile virus surveillance. The District was prepared for a 4% increase in salaries and benefits for entire staff.
2. The pesticide budget was virtually the same from the previous fiscal year. The mosquito control program is also very stable with services and supply costs. The newly acquired vector control program for next year may experience some additional costs.
3. The employer contributions to the District retirement account saw a 4 % increase due to changes in contribution rates for the San Mateo County Employees Retirement Association.
4. The part time employee account saw a reduction of 26% from the previous year. This was a result of the full time employees helping with the catch basin program allowing the part time employees to start later and finish earlier. This also reduced the social security account by 26%.
5. A new contract with the long term disability carrier saw a reduction in this account by 30%
6. 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 reduced approximately 19% to accommodate the less work. The program will continue for one more year, with the outcome benefiting the District with a reduction of mosquito breeding sources.
7. With the increase in the number of vehicles, the cost of maintenance of those vehicles should have rose considerably from the previous year but the District transferred a full-time mosquito control technician to a technician/mechanic to address repairs onsite, rather than sending vehicles to repair facilities.

**SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2008**

CAPITAL ASSETS

At June 30, 2008, the District had \$5,735,030, in capital assets with a net accumulated depreciation of \$1,260,841, including land, buildings and furniture and equipment. The District currently uses \$600 as its capitalization threshold.

1. The District purchased eight (8) new Jeep Right-hand-drive vehicles for use in the field treating catch basins during the summer months. The costs of the vehicles were \$213,741. A new Ford Escape Hybrid was purchased for \$27,112, a Ford Ranger Pickup for \$25,654, and a Ford F-150 Pickup for \$37,619.
2. The District purchased an all terrain vehicle (ARGO) for pesticide dispersal in marshland at a cost of \$26,299. The cost includes a specialized tank sprayer, trailer and tracks. This brings the number of ARGO Avengers to four (4). An aging ARGO was used as a trade-in.
3. The Laboratory department purchased ArcView and ArcGIS mapping software at a cost of \$5,641. The programs particularly support the rodent baiting vector programs throughout the county.
4. The District completed the acquisition of property in an unincorporated area adjacent to Redwood City. The parcel was originally owned by the District from 1951 - 1978. The escrow closing costs were \$419,722.
5. The District started architectural designs of a corporation yard at the newly acquired property and cleaned the site up. The costs of cleanup, soils and civil engineering, and plans production were \$75,459.
6. A new Klamath Boat 14' with motor was purchased for \$6,767. Several other pieces of operational equipment were purchased to assist the field technicians with everyday work. These pieces included; tire changer (\$1,329), tire balancer (\$1,239), tools (\$541) and a compressor (\$2,800).
7. One new desktop computer and two new laptop computers were purchased for a cost of \$3,355. A new network server and software was added at a cost of \$12,514.

**SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2008**

Table 5: Capital Assets

| | <u>June 30, 2008</u> | <u>June 30, 2007</u> | <u>Change</u> | <u>Percentage Change</u> |
|----------------------------|----------------------|----------------------|-------------------|------------------------------|
| Land | \$ 702,889 | \$ 91,167 | \$ 611,722 | 671% |
| Construction in Progress | 84,897 | 200,000 | (115,103) | -58% |
| Buildings and Improvements | 3,563,746 | 3,548,494 | 15,252 | 0% |
| Furniture and Equipment | 1,383,498 | 1,344,161 | 39,337 | 3% |
| Accumulated Depreciation | (1,260,841) | (1,202,185) | (58,656) | 5% |
| Total Capital Assets | <u>\$ 4,474,189</u> | <u>\$ 3,981,637</u> | <u>\$ 492,552</u> | <u>12%</u> |

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 3.35 – 4.55%. 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, 2008, the principal balance outstanding was \$795,000 with \$255,000 due within one year.

Factors bearing on the District's future

The San Mateo County Mosquito and Vector Control 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 2004/2005 and 2005/2006, the District shifted \$239,591 and 262,794, respectively, of local revenue to the State. The District shifted \$275,974 of local revenue for ERAF in 2006/07. Our total shift to the Education Revenue Augmentation Fund (ERAF) in 2007-08 is \$296,286.

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.

**SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2008**

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 Mr. Robert Gay, District Manager for the San Mateo County Mosquito and Vector Control District, 1351 Rollins Road, Burlingame, California 94010.

Basic Financial Statements

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

**STATEMENT OF NET ASSETS
JUNE 30, 2008**

ASSETS

| | |
|----------------------|--------------------------------|
| Cash and investments | \$ 4,999,419 |
| Receivables | 49,310 |
| Inventory | 172,622 |
| Capital assets, net | <u>4,474,189</u> |
| Total Assets | <u><u>\$ 9,695,540</u></u> |

LIABILITIES AND NET ASSETS

Current Liabilities:

| | |
|---------------------|-----------|
| Accrued liabilities | \$ 36,446 |
|---------------------|-----------|

Long Term Liabilities:

| | |
|-------------------------------|----------------|
| Due within one year: | |
| Certificates of participation | 255,000 |
| Due in more than one year: | |
| Compensated absences | 180,539 |
| Certificates of participation | <u>540,000</u> |

| | |
|-------------------|----------------------------|
| Total Liabilities | <u><u>\$ 1,011,985</u></u> |
|-------------------|----------------------------|

Net Assets:

| | |
|--|------------------|
| Invested in capital assets, net related debt | \$ 3,679,189 |
| Restricted for debt service | 228,464 |
| Unrestricted | <u>4,775,902</u> |

| | |
|------------------|----------------------------|
| Total Net Assets | <u><u>\$ 8,683,555</u></u> |
|------------------|----------------------------|

See accompanying notes to financial statements.

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

| | |
|---|--------------|
| Expenses: | |
| Mosquito abatement: | |
| Personal services | \$ 1,794,806 |
| Services and supplies | 960,108 |
| Depreciation | 324,591 |
| Interest expense | 46,193 |
| | <hr/> |
| Total program expenses | 3,125,698 |
| | <hr/> |
| Program revenues: | |
| Charges for services | 472,609 |
| | <hr/> |
| Net program expense | (2,653,089) |
| | <hr/> |
| General revenues: | |
| Property taxes | 1,483,599 |
| Special mosquito control tax | 441,840 |
| Other taxes | 154,909 |
| Special benefit assessment | 1,351,917 |
| Investment earnings | 190,960 |
| Miscellaneous revenue | 99,817 |
| Special Item: | |
| Loss on disposal of capital assets | (46,545) |
| | <hr/> |
| Total general revenues and special item | 3,676,497 |
| | <hr/> |
| Increase in net assets | 1,023,408 |
| | <hr/> |
| Net assets - beginning of the year | 7,660,147 |
| | <hr/> |
| Net assets - end of the year | \$ 8,683,555 |
| | <hr/> <hr/> |

See accompanying notes to financial statements.

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

**BALANCE SHEET
AND RECONCILIATION TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

| | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Total Governmental Funds</u> |
|---|-----------------------------|--------------------------------------|---|
| Assets | | | |
| Cash and investments | \$ 2,621,615 | \$ 2,377,604 | \$ 4,999,219 |
| Petty cash | 200 | - | 200 |
| Receivables | 39,391 | 9,919 | 49,310 |
| Inventory | 172,622 | - | 172,622 |
| Due from other funds | - | 32,906 | 32,906 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | <u>\$ 2,833,828</u> | <u>\$ 2,420,429</u> | <u>\$ 5,254,257</u> |
| Liabilities and Fund Balances | | | |
| Liabilities: | | | |
| Accrued payroll | \$ 36,446 | \$ - | \$ 36,446 |
| Due to other funds | 32,906 | - | 32,906 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities | <u>69,352</u> | <u>-</u> | <u>69,352</u> |
| Fund balances: | | | |
| Reserved for: | | | |
| Investment in VCJPA | 239,307 | - | 239,307 |
| Unreserved: | | | |
| Designated for: | | | |
| Capital projects | - | 2,420,429 | 2,420,429 |
| Compensated absences | 180,539 | - | 180,539 |
| Undesignated | 2,344,630 | - | 2,344,630 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Fund Balances | <u>2,764,476</u> | <u>2,420,429</u> | <u>5,184,905</u> |
| Total Liabilities and Fund Balances | <u>\$ 2,833,828</u> | <u>\$ 2,420,429</u> | <u>\$ 5,254,257</u> |
| Total Fund Balances | | | \$ 5,184,905 |
| 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 \$5,735,030 and the accumulated depreciation is \$1,260,841. | | | 4,474,189 |
| 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: | | | |
| Certificates of participation | | | (795,000) |
| Accrued compensated absences | | | <u>(180,539)</u> |
| Net assets of governmental activities | | | <u>\$ 8,683,555</u> |

See accompanying notes to financial statements.

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
AND RECONCILIATION TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

| | <u>General Fund</u> | <u>Capital Projects Fund</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|--------------------------------------|---|
| REVENUES | | | |
| Property taxes | \$ 1,483,599 | \$ - | \$ 1,483,599 |
| Special mosquito control tax | 441,840 | - | 441,840 |
| Other taxes | 154,909 | - | 154,909 |
| Inspection services | 472,609 | - | 472,609 |
| Special benefit assessment | 1,351,917 | - | 1,351,917 |
| Investment earnings | 117,602 | 73,358 | 190,960 |
| Miscellaneous revenue | 68,217 | 31,600 | 99,817 |
| | <u>4,090,693</u> | <u>104,958</u> | <u>4,195,651</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Personal services | 1,770,289 | - | 1,770,289 |
| Services and supplies | 948,264 | 3,411 | 951,675 |
| Debt service: | | | |
| Principal | - | 245,000 | 245,000 |
| Interest | - | 46,193 | 46,193 |
| Capital outlay | 533 | 871,587 | 872,120 |
| | <u>2,719,086</u> | <u>1,166,191</u> | <u>3,885,277</u> |
| Excess (deficiency) of revenues over expenditures | <u>1,371,607</u> | <u>(1,061,233)</u> | <u>310,374</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 | 171,607 | 138,767 | 310,374 |
| Fund balances - beginning | <u>2,592,869</u> | <u>2,281,662</u> | <u>4,874,531</u> |
| Fund balances - ending | <u>\$ 2,764,476</u> | <u>\$ 2,420,429</u> | <u>\$ 5,184,905</u> |
| Change in fund balance | | | \$ 310,374 |
| 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. | | | |
| Additions from capital outlay (\$863,687) exceeded depreciation expense (\$324,591) by: | | | |
| 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. | | | |
| 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: | | | |
| 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. | | | |
| Change in net assets of governmental activities | | | <u>(24,517)</u> |
| | | | <u>\$ 1,023,408</u> |

See accompanying notes to financial statements.

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2008

1. SIGNIFICANT ACCOUNTING POLICIES

A. The District

The San Mateo County Mosquito and Vector Control 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, 2004, 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.

In the fiscal year ended June 30, 2008, San Mateo County Board of Supervisors passed a resolution to transfer specific vector control operations and responsibilities to San Mateo County Mosquito Abatement District; as a result, the District changed its name to the San Mateo County Mosquito and Vector Control District.

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

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

Based on the above criteria, the District determined that there were not any component units as of June 30, 2008.

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 reconciliations 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

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

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.

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.

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

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 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").

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008**

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.

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 \$180,537 at June 30, 2008. 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

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

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.

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.

M. New Accounting Pronouncements

The Government Accounting Standards Board has issued Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits other than Pensions*. The new pronouncement provides guidance for school districts in recognizing the cost of retiree health care. The new rules will cause district-wide financial statements to recognize the cost of providing retiree healthcare coverage over

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

The Government Accounting Standards Board has issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. In general, the new rules will cause district-wide financial statements to include intangible assets as capital assets. This statement is effective for the year ending June 30, 2010.

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:

| | <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 and Vector Control 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.

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

3. CASH AND INVESTMENTS

Cash and investments consisted of the following at June 30, 2008:

| | <u>Carrying Amount</u> | <u>Investment Rating</u> |
|----------------------------|----------------------------|------------------------------|
| Petty Cash | \$ 200 | NA |
| Cash in County Treasury | 4,531,448 | AA/V1+ |
| Cash – Held in Trust | 228,464 | NA |
| Investment in VCJPA | <u>239,307</u> | NA |
| Total Cash and Investments | <u>\$ 4,999,419</u> | |

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer. The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's prorata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains an investment with the Vector Control Joint Powers Authority.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2008

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2008, \$128,464 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

4. CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2008:

| | Balance | | | | Balance |
|---|--------------|-------------|------------|--------------|---------------|
| | July 1, 2007 | Adjustments | Additions | Deletions | June 30, 2008 |
| Land - not depreciable | \$ 91,167 | \$ - | \$ 611,722 | \$ - | \$ 702,889 |
| Buildings and Improvements | 3,668,812 | (45,155) | - | (59,910) | 3,563,746 |
| Furniture and Equipment | 1,223,844 | 45,155 | 367,069 | (252,570) | 1,383,498 |
| Construction in progress | 200,000 | - | 84,897 | (200,000) | 84,897 |
| Total capital assets | 5,183,823 | | 1,063,687 | (512,480) | 5,735,030 |
| Less accumulated depreciation for: | | | | | |
| Buildings and Improvements | (1,112,258) | 576,090 | (104,147) | 32,114 | (608,202) |
| Furniture and Equipment | (89,924) | (576,090) | (220,444) | 233,819 | (652,639) |
| Total accumulated depreciation | (1,202,182) | | (324,591) | 265,933 | (1,260,841) |
| Total capital assets - net depreciation | \$ 3,981,641 | \$ - | \$ 739,069 | \$ (246,548) | \$ 4,474,189 |

Depreciation expense of \$324,591 was charged to governmental activities.

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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> |
|----------------------------|-------------------|------------------|-------------------|
| 2009 | 255,000 | 35,657 | 290,657 |
| 2010 | 265,000 | 24,437 | 289,437 |
| 2011 | 275,000 | 12,512 | 287,512 |
| Totals | <u>\$ 795,000</u> | <u>\$ 72,606</u> | <u>\$ 867,606</u> |

A schedule of changes in long-term debt for the year ended June 30, 2008 is as follows:

| | <u>Balance</u> <u>July 1, 2007</u> | <u>Additions</u> | <u>Payments</u> | <u>Balance</u> <u>June 30, 2008</u> | <u>Current</u> <u>Portion</u> |
|-------------------------------|---------------------------------------|------------------|-------------------|--|----------------------------------|
| Certificates of participation | \$ 1,040,000 | \$ - | \$ 245,000 | \$ 795,000 | \$ 255,000 |
| Compensated absences | 156,021 | 99,497 | 74,981 | 180,537 | - |
| Total long-term debt | <u>\$ 1,196,021</u> | <u>\$ 99,497</u> | <u>\$ 319,981</u> | <u>\$ 975,537</u> | <u>\$ 255,000</u> |

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.

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

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.

The financial position and results of operations for the VCJPA as of June 30, 2008 (unaudited), was as follows:

| | <u>VCJPA</u> |
|------------------------------|---------------|
| Total Assets | \$ 11,533,849 |
| Total Liabilities | 5,817,940 |
| Fund Balance | 5,715,909 |
| Total Revenues | 3,552,561 |
| Total Expenditures | 3,565,029 |
| Net Decrease in Fund Balance | (12,468) |

The District's share of the VCJPA's Members Trust Fund and Property Contingency Fund balance at June 30, 2008, was \$200,938 and \$38,369, 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

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2008

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 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, 2008, was \$1,308,455. The District's contributions were calculated using the base salary amount of \$1,248,986. Both the District and the covered employees made the required contributions totaling \$207,901 and \$74,765, respectively.

10. COMMITMENTS AND CONTINGENCIES

Construction in Progress

At June 30, 2008, the District had an uncompleted construction contract in the capital projects fund. The remaining commitment on the construction contract was approximately \$749,800.

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

Litigation

A worker's compensation claim involving the District is currently outstanding. However, management believes, based on consultation with legal counsel, that the ultimate resolution of the matter will not have a material adverse effect on the District's financial position or results of operations.

11. SUBSEQUENT EVENT

The District pools its cash with the San Mateo County Treasurer's investment pool ("the pool") as required by state law. Subsequent to June 30, 2008, the pool realized significant losses from investments due to declines in market values. As a result, the District is expected to incur a loss of \$193,767 in the government wide financial statements, \$94,334 in the general fund, \$99,433 in the capital projects fund for the fiscal year ending June 30, 2009.

SUPPLEMENTARY INFORMATION

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ACTUAL (GAAP) VS. BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|----------------------------------|----------------------------|-------------------------|---------------------|---|
| REVENUES: | | | | |
| Property taxes: | | | | |
| Current secured | \$ 1,523,275 | \$ 1,523,275 | \$ 1,349,526 | \$ (173,749) |
| Current unsecured | 98,692 | 86,812 | 79,835 | (6,977) |
| Prior secured | - | - | 1,509 | 1,509 |
| Prior unsecured | - | - | (581) | (581) |
| Homeowners' property tax relief | 13,195 | 11,244 | 11,193 | (51) |
| Miscellaneous | 440,044 | 440,044 | 441,840 | 1,796 |
| Benefit assessment | 1,374,996 | 1,335,826 | 1,351,917 | 16,091 |
| Miscellaneous | - | - | 197,026 | 197,026 |
| Other revenues: | | | | |
| Interest | 35,000 | 35,000 | 17,403 | (17,597) |
| Charges for services | 150,000 | 150,000 | 472,609 | 322,609 |
| Miscellaneous | 15,000 | 15,000 | 168,416 | 153,416 |
| | <u>3,650,202</u> | <u>3,597,201</u> | <u>4,090,693</u> | <u>493,492</u> |
| EXPENDITURES: | | | | |
| Operating expenditures: | | | | |
| Salaries and benefits | 1,863,800 | 1,863,800 | 1,770,289 | 93,511 |
| Materials, supplies and services | 1,134,735 | 1,134,735 | 948,264 | 186,471 |
| Capital outlay | 550 | 550 | 533 | 17 |
| | <u>2,999,085</u> | <u>2,999,085</u> | <u>2,719,086</u> | <u>279,999</u> |
| OTHER FINANCING SOURCES: | | | | |
| Interfund Transfers | - | - | (1,200,000) | (1,200,000) |
| Net change in fund balance | <u>\$ 651,117</u> | <u>\$ 598,116</u> | 171,607 | <u>\$ 213,493</u> |
| Fund balance - beginning | | | <u>2,592,869</u> | |
| Fund balance - ending | | | <u>\$ 2,764,476</u> | |

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

**SCHEDULE OF GENERAL FUND EXPENDITURES
ACTUAL (NON-GAAP) VS. BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

| | <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE FAVORABLE (UNFAVORABLE)</u> |
|---|----------------------------|----------------------------|---|
| SALARIES AND EMPLOYEE BENEFITS: | | | |
| Full time regular positions | \$ 1,270,000 | \$ 1,249,301 | \$ 20,699 |
| Part time regular positions | 111,000 | 59,154 | 51,846 |
| Retirement plan | 211,000 | 207,901 | 3,099 |
| Dental insurance | 28,000 | 26,088 | 1,912 |
| Health insurance | 190,000 | 183,667 | 6,333 |
| Vision insurance plan | 3,500 | 3,468 | 32 |
| Medicare insurance | 19,000 | 18,321 | 679 |
| Long-term disability | 9,400 | 9,078 | 322 |
| Social Security | 6,900 | 3,668 | 3,232 |
| Unemployment insurance | 15,000 | 9,644 | 5,356 |
| Total Salaries and Employee Benefits | <u>1,863,800</u> | <u>1,770,290</u> | <u>93,510</u> |
| SERVICES AND SUPPLIES: | | | |
| Agricultural supplies | 225,000 | 185,788 | 39,212 |
| Clothing | 25,200 | 18,730 | 6,470 |
| Electricity and gas | 22,000 | 18,055 | 3,945 |
| Gas, oil and grease | 56,500 | 53,168 | 3,332 |
| General maintenance | 9,450 | 6,221 | 3,229 |
| Household | 2,500 | 1,616 | 884 |
| Liability insurance | 40,000 | 54,172 | (14,172) |
| Worker's Compensation | 60,000 | 37,181 | 22,819 |
| Medical and laboratory | 4,600 | 945 | 3,655 |
| Meetings and conferences | 108,600 | 69,419 | 39,181 |
| Memberships | 16,535 | 16,532 | 3 |
| Miscellaneous repair | 57,200 | 71,779 | (14,579) |
| Office | 25,550 | 17,391 | 8,159 |
| Service and consultation | 184,100 | 178,453 | 5,647 |
| Special | 256,700 | 188,815 | 67,885 |
| Telephone | 16,500 | 13,034 | 3,466 |
| Tools and instruments | 18,800 | 13,226 | 5,574 |
| Water and sewer disposal | 5,500 | 3,703 | 1,797 |
| Equipment | 550 | 533 | 17 |
| Total Services and Supplies | <u>1,135,285</u> | <u>948,761</u> | <u>186,524</u> |
| TOTAL BUDGETED EXPENDITURES | <u>\$ 2,999,085</u> | <u>2,719,051</u> | <u>\$ 280,034</u> |
| VCJPA - Miscellaneous Other Expense | | <u>35</u> | |
| TOTAL EXPENDITURES | | <u>\$ 2,719,086</u> | |

Schedule 2

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

**SCHEDULE OF SUB-FUND EXPENDITURES
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

| | <u>SMCMAD</u> | <u>NORTH WEST COUNTY</u> | <u>TOTAL GENERAL FUND</u> |
|---|---------------------|----------------------------------|-----------------------------------|
| SALARIES AND EMPLOYEE BENEFITS: | | | |
| Full time regular positions | \$ 749,581 | \$ 499,720 | \$ 1,249,301 |
| Part time regular positions | 35,492 | 23,662 | 59,154 |
| Retirement plan | 124,741 | 83,160 | 207,901 |
| Dental insurance | 15,653 | 10,435 | 26,088 |
| Health insurance | 110,200 | 73,467 | 183,667 |
| Vision insurance plan | 2,081 | 1,387 | 3,468 |
| Medicare insurance | 10,993 | 7,328 | 18,321 |
| Long-term disability | 5,447 | 3,631 | 9,078 |
| Social Security | 2,201 | 1,467 | 3,668 |
| Unemployment insurance | 5,786 | 3,858 | 9,644 |
| Total Salaries and Employee Benefits | <u>1,062,175</u> | <u>708,115</u> | <u>1,770,290</u> |
| SERVICES AND SUPPLIES: | | | |
| Agricultural supplies | 111,473 | 74,315 | 185,788 |
| Clothing | 11,238 | 7,492 | 18,730 |
| Electricity and gas | 10,833 | 7,222 | 18,055 |
| Gas, oil and grease | 31,901 | 21,267 | 53,168 |
| General maintenance | 3,733 | 2,488 | 6,221 |
| Household | 970 | 646 | 1,616 |
| Liability insurance | 32,503 | 21,669 | 54,172 |
| Worker's Compensation | 22,309 | 14,872 | 37,181 |
| Medical and laboratory | 567 | 378 | 945 |
| Meetings and conferences | 41,651 | 27,768 | 69,419 |
| Memberships | 9,919 | 6,613 | 16,532 |
| Miscellaneous repair | 43,067 | 28,712 | 71,779 |
| Office | 10,435 | 6,956 | 17,391 |
| Service and consultation | 107,072 | 71,381 | 178,453 |
| Special | 113,289 | 75,526 | 188,815 |
| Telephone | 7,820 | 5,214 | 13,034 |
| Tools and instruments | 7,936 | 5,290 | 13,226 |
| Water and sewer disposal | 2,222 | 1,481 | 3,703 |
| Equipment | 320 | 213 | 533 |
| Total Services and Supplies | <u>569,258</u> | <u>379,503</u> | <u>948,761</u> |
| TOTAL BUDGETED EXPENDITURES | <u>1,631,433</u> | <u>1,087,618</u> | <u>2,719,051</u> |
| VCJPA - Miscellaneous Other Expense | 35 | - | 35 |
| TOTAL EXPENDITURES | <u>\$ 1,631,468</u> | <u>\$ 1,087,618</u> | <u>\$ 2,719,086</u> |

Continued

Schedule 3

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

**SCHEDULE OF SUB-FUND EXPENDITURES
CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

| | <u>SMCMAD</u> | <u>NORTH WEST COUNTY</u> | <u>TOTAL CAPITAL PROJECTS FUND</u> |
|-----------------------------|-------------------|----------------------------------|--|
| LONG TERM DEBT: | | | |
| Repayment of loan | \$ 174,716 | \$ 116,477 | \$ 291,193 |
| Legal and administration | <u>2,047</u> | <u>1,365</u> | <u>3,412</u> |
| Total Long Term Debt | <u>176,763</u> | <u>117,842</u> | <u>294,605</u> |
| SERVICES AND SUPPLIES: | | | |
| Structure/Improvements | 302,770 | 201,848 | 504,618 |
| Equipment | <u>220,181</u> | <u>146,787</u> | <u>366,968</u> |
| Total Services and Supplies | <u>522,951</u> | <u>348,635</u> | <u>871,586</u> |
| TOTAL EXPENDITURES | <u>\$ 699,714</u> | <u>\$ 466,477</u> | <u>\$ 1,166,191</u> |

Concluded

Schedule 3

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND BALANCE (GENERAL FUND) FOR THE YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE TOTALS FOR THE FOUR YEARS ENDED JUNE 30, 2007

| | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|--------------|--------------|--------------|--------------|--------------|
| Revenues: | | | | | |
| Property taxes | \$ 1,148,495 | \$ 1,240,554 | \$ 1,298,390 | \$ 1,391,365 | \$ 1,483,599 |
| Special mosquito control tax | 440,042 | 440,044 | 440,552 | 441,143 | 441,840 |
| Other taxes | 59,141 | 119,938 | 140,940 | 131,298 | 154,909 |
| Inspection services | 90,931 | 267,370 | 318,343 | 533,633 | 472,609 |
| Special benefit assessment | - | 1,254,916 | 1,286,889 | 1,311,456 | 1,351,917 |
| Investment earnings | 34,259 | 49,794 | 78,738 | 145,166 | 117,602 |
| Miscellaneous revenue | 39,915 | 203,621 | 205,961 | 112,312 | 68,217 |
| Total Revenues | 1,812,783 | 3,576,237 | 3,769,813 | 4,066,373 | 4,090,693 |
| Expenditures: | | | | | |
| Salaries and employee benefits | 1,135,815 | 1,396,209 | 1,564,398 | 1,711,244 | 1,770,290 |
| Agricultural supplies | 88,177 | 221,708 | 240,471 | 189,026 | 185,788 |
| Clothing | 15,672 | 21,779 | 25,237 | 21,208 | 18,730 |
| Electricity and gas | 17,097 | 16,227 | 16,526 | 19,025 | 18,055 |
| Gas, oil and grease | 24,416 | 34,698 | 46,375 | 50,764 | 53,168 |
| General maintenance | 5,014 | 6,529 | 4,316 | 8,133 | 6,221 |
| Household | 1,360 | 1,452 | 1,935 | 2,669 | 1,616 |
| Liability insurance | 1,192 | 39,376 | 45,356 | 57,976 | 54,172 |
| Worker's Compensation | 66,017 | 44,954 | 37,925 | 54,108 | 37,181 |
| Medical and laboratory | 1,874 | 2,563 | 1,624 | 2,443 | 945 |
| Meetings and conferences | 37,725 | 41,317 | 54,887 | 51,507 | 69,419 |
| Memberships | 11,643 | 12,883 | 14,353 | 14,706 | 16,532 |
| Miscellaneous repair | 23,815 | 45,038 | 46,253 | 46,882 | 71,814 |
| Office | 19,909 | 16,700 | 17,790 | 20,485 | 17,391 |
| Service and consultation | 87,539 | 138,181 | 156,900 | 158,014 | 178,453 |
| Special | 16,650 | 13,395 | 174,800 | 233,452 | 188,815 |
| Telephone | 14,170 | 15,555 | 14,686 | 14,788 | 13,034 |
| Tools and instruments | 8,515 | 13,789 | 18,606 | 17,291 | 13,226 |
| Water and sewer disposal | 3,185 | 3,118 | 3,244 | 3,907 | 3,703 |
| Equipment | 3,240 | 766 | 4,212 | 2,663 | 533 |
| Total Expenditures | 1,583,025 | 2,086,237 | 2,489,894 | 2,680,291 | 2,719,086 |
| Other Financial Sources (Uses): | | | | | |
| Interfund transfers | (300,000) | (850,000) | (1,200,000) | (1,000,000) | (1,200,000) |
| Change in Fund Balance | (70,242) | 640,000 | 79,919 | 386,082 | 171,607 |
| Beginning Unrestricted Fund Balance | 1,454,084 | 1,383,842 | 2,023,842 | 2,206,787 | 2,592,869 |
| Prior Period Adjustment | - | - | 103,026 | - | - |
| Beginning Unrestricted Fund Balance - as restated | 1,454,084 | 1,383,842 | 2,126,868 | 2,206,787 | 2,592,869 |
| Ending Unrestricted Fund Balance | \$ 1,383,842 | \$ 2,023,842 | \$ 2,206,787 | \$ 2,592,869 | \$ 2,764,476 |

Schedule 4

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND
BALANCE (CAPITAL PROJECTS FUND) FOR THE YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE TOTALS FOR THE FOUR YEARS ENDED JUNE 30, 2007

| | 2004 | 2005 | 2006 | 2007 | 2008 |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Revenues: | | | | | |
| Investment earnings | \$ 30,223 | \$ 23,974 | \$ 33,246 | \$ 77,978 | \$ 73,358 |
| Miscellaneous revenue | 1,832 | 4,993 | 203,833 | 11,800 | 31,600 |
| Total Revenues | <u>32,055</u> | <u>28,967</u> | <u>237,079</u> | <u>89,778</u> | <u>104,958</u> |
| Expenditures: | | | | | |
| Debt Service: | | | | | |
| Interest and fiscal charges | 200,000 | 210,000 | 220,000 | 235,000 | 245,000 |
| Principle payments | 90,384 | 79,713 | 68,163 | 56,063 | 46,193 |
| Legal and administration | - | 3,022 | 51 | 2,395 | 3,412 |
| Miscellaneous repair | 183,131 | 11,991 | 17,240 | 13,975 | - |
| Capital Outlay | 114,900 | 278,230 | 647,293 | 565,920 | 871,586 |
| Total Expenditures | <u>588,415</u> | <u>582,956</u> | <u>952,747</u> | <u>873,353</u> | <u>1,166,191</u> |
| Other Financial Sources (Uses): | | | | | |
| Interfund transfers | 300,000 | 850,000 | 1,200,000 | 1,000,000 | 1,200,000 |
| Change in Fund Balance | (256,360) | 296,011 | 484,332 | 216,425 | 138,767 |
| Beginning Unrestricted Fund Balance | <u>1,541,254</u> | <u>1,284,894</u> | <u>1,580,905</u> | <u>2,065,237</u> | <u>2,281,662</u> |
| Ending Unrestricted Fund Balance | <u>\$ 1,284,894</u> | <u>\$ 1,580,905</u> | <u>\$ 2,065,237</u> | <u>\$ 2,281,662</u> | <u>\$ 2,420,429</u> |

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

**MEMBERS OF THE BOARD OF TRUSTEES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

| BOARD MEMBER | OFFICE | CITY/TOWN REPRESENTED |
|---------------------|---------------------|----------------------------------|
| Leon Nickolas | President | Millbrae |
| Robert Riechel | Vice President | San Bruno |
| Valentina Cogoni | Secretary | Menlo Park |
| Ronald Anderson | Assistant Secretary | Foster City |
| Samuel Lerner | Member | Atherton |
| Robert Blake | Member | Belmont |
| Robert Maynard | Member | Brisbane |
| Dennis Preger | Member | Burlingame |
| Christine Fuller | Member | Daly City |
| Donna Rutherford | Member | East Palo Alto |
| Tim Frahm | Member | Half Moon Bay |
| Lawrence Peterson | Member | Hillsborough |
| John Curtis | Member | Pacifica |
| Joseph Fil | Member | Portola Valley |
| Robert Bury | Member | Redwood City |
| Betsy Schneider | Member | San Carlos |
| James Ridgeway | Member | San Mateo |
| Cal Hinton | Member | San Mateo County - At Large |
| Raymond Honan | Member | South San Francisco |
| Richard Tagg | Member | Woodside |

DISTRICT MANAGER

Robert Gay

CLERK OF THE BOARD

Karen Williams

Schedule 6

Other Independent Auditor's Report



C. G. UHLENBERG LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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 and Vector Control District
Burlingame, California

We have audited the basic financial statements of San Mateo County Mosquito Vector Control District (the "District") as of and for the year ended June 30, 2008, and have issued our report thereon dated January 8, 2009. 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 Vector Control District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies



in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Mateo County Mosquito Vector Control 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 solely for the information and use 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

January 8, 2009
Redwood City, California