

SAN MATEO COUNTY MOSQUITO
AND VECTOR CONTROL DISTRICT

AUDIT REPORT
JUNE 30, 2010

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SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

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C. G. UHLENBERG LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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, 2010, 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.

As explained in Note 9 to the financial statements, the District has not completed an actuarial study or internal calculation in order to disclose the amount of liabilities it has in conjunction with post retirement healthcare coverage. In our opinion, disclosure of this liability and the possible, related amortization of the liability are required in order for the financial statements to be in compliance with accounting principles generally accepted in the United States of America. The effects on the financial statements of the preceding omissions are not reasonably determinable.

In our opinion, except for the effects of the matters discussed in the preceding paragraph, 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, 2010, 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 November 3, 2010, 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 District has not presented a management's discussion and analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be a part of the basic financial statement.

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. D. Uhlenberg LLP

November 3, 2010
Redwood City, California

Basic Financial Statements

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

STATEMENT OF NET ASSETS
JUNE 30, 2010

ASSETS

Cash and investments	\$ 5,177,077
Receivables	48,117
Capital assets, net	<u>4,701,188</u>
 Total Assets	 <u>\$ 9,926,382</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accrued liabilities	\$ 169,210
Long Term Liabilities:	
Due within one year:	
Certificate of participation	275,000
Due in more than one year:	
Compensated absences	<u>372,609</u>
 Total Liabilities	 <u>\$ 816,819</u>

Net Assets:

Invested in capital assets, net related debt	\$ 4,426,188
Restricted for debt service	272,094
Unrestricted	<u>4,411,281</u>
 Total Net Assets	 <u>\$ 9,109,563</u>

See accompanying notes to financial statements.

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

STATEMENT OF ACTIVITIES
JUNE 30, 2010

Expenses:	
Mosquito abatement:	
Personal services	\$ 2,237,143
Services and supplies	1,291,579
Depreciation	318,473
Interest expense	<u>24,438</u>
Total program expenses	<u>3,871,633</u>
Program revenues:	
Charges for services	<u>393,779</u>
Net program expense	<u>(3,477,854)</u>
General revenues:	
Property taxes	1,479,770
Special mosquito control tax	439,865
Other taxes	218,288
Special benefit assessment	1,408,553
Investment earnings	35,718
Miscellaneous revenue	<u>256,376</u>
Special Item:	
Loss on disposal of capital assets	<u>(4,100)</u>
Total general revenues and special item	<u>3,834,470</u>
Increase in net assets	356,616
Net assets - beginning of the year	<u>8,752,947</u>
Net assets - end of the year	<u>\$ 9,109,563</u>

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, 2010**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash in county treasury	\$ 4,515,040	\$ 661,926	\$ 5,176,966
Petty cash	111	-	111
Receivables	48,117	-	48,117
Due from other funds	-	13,054	13,054
Total Assets	<u>\$ 4,563,268</u>	<u>\$ 674,980</u>	<u>\$ 5,238,248</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	\$ 114,487	\$ -	\$ 114,487
Accrued payroll	54,723	-	54,723
Due to other funds	13,054	-	13,054
Total Liabilities	<u>182,264</u>	<u>-</u>	<u>182,264</u>
Fund balances:			
Reserved for:			
Investment in VCJPA	272,094	-	272,094
Unreserved:			
Designated for:			
Capital projects	-	674,980	674,980
Compensated absences	372,609	-	372,609
Undesignated	3,736,301	-	3,736,301
Total Fund Balances	<u>4,381,004</u>	<u>674,980</u>	<u>5,055,984</u>
Total Liabilities and Fund Balances	<u>\$ 4,563,268</u>	<u>\$ 674,980</u>	<u>\$ 5,238,248</u>
Total Fund Balances			\$ 5,055,984
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 \$6,508,240 and the accumulated depreciation is \$1,807,052.			4,701,188
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			(275,000)
Accrued compensated absences			<u>(372,609)</u>
Net assets of governmental activities			<u>\$ 9,109,563</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, 2010

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Property taxes	\$ 1,479,770	\$ -	\$ 1,479,770
Special mosquito control tax	439,865	-	439,865
Other taxes	218,288	-	218,288
Inspection services	393,779	-	393,779
Special benefit assessment	1,408,553	-	1,408,553
Investment earnings	24,013	11,705	35,718
Miscellaneous revenue	256,376	-	256,376
 Total revenues	<u>4,220,644</u>	<u>11,705</u>	<u>4,232,349</u>
EXPENDITURES			
Current:			
Personal services	2,187,542	-	2,187,542
Services and supplies	1,146,789	95,324	1,242,113
Debt service:			
Principal	-	265,000	265,000
Interest	-	24,438	24,438
Capital outlay	-	159,896	159,896
 Total expenditures	<u>3,334,331</u>	<u>544,658</u>	<u>3,878,989</u>
 Excess (deficiency) of revenues over expenditures	<u>886,313</u>	<u>(532,953)</u>	<u>353,360</u>
 Change in fund balance	886,313	(532,953)	353,360
 Fund balances - beginning	<u>3,494,691</u>	<u>1,207,933</u>	<u>4,702,624</u>
 Fund balances - ending	<u>\$ 4,381,004</u>	<u>\$ 674,980</u>	<u>\$ 5,055,984</u>
 Change in fund balance			\$ 353,360
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 (\$110,430) exceeded depreciation expense (\$318,473) by:			
(208,043)			
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.			
(4,100)			
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:			
265,000			
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.			
(49,601)			
Change in net assets of governmental activities			<u>\$ 356,616</u>

See accompanying notes to financial statements.

Notes to the Basic Financial Statements

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2010

1. SIGNIFICANT ACCOUNTING POLICIES

A. The District

The San Mateo County Mosquito and Vector Control (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, as a result, the District changed its name to the San Mateo County Mosquito and Vector Control.

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, 2010

Based on the above criteria, the District determined that there were not any component units as of June 30, 2010.

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

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2010

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.

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.

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

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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.

Expenditures over Appropriation

For the current fiscal year, actual expenditures exceeded budgeted amounts are as follows:

Fund	Expenditure Category	Excess Expenditure	Explanation
General Fund	Salaries and employee benefits and services and supplies	\$ 112,949	The changes of the salaries and employee benefits expenditures were not captured in the budget.

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

F. Use of Estimates

The Agency's management has made certain estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

G. Cash and Investments

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.

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 \$372,609 at June 30, 2010. In the fund financial statements, the District has designated this same amount of its fund balance.

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2010

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.

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.

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2010

M. Implemented New Accounting Pronouncements

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. The District adopted provisions of this statement during the year ended June 30, 2010 and determined there was no effect on the financial statements for the years ended June 30, 2010.

N. Upcoming Accounting and Reporting Changes

The GASB has issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement establishes new categories for reporting for fund balance and revises the definitions for governmental fund types. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010.

The GASB has issued Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", which expands the use of the alternative measurement method to an agent employer government that has an individual-employer OPEB plan with fewer than 100 total plan members. The Statement also provides guidance about the frequency and timing of measurements by governments that participate in agent multiple-employer other postemployment benefit plans and how those measurements must be coordinated with the reporting needs of the agent multiple-employer OPEB plan itself. The provisions of this Statement related to the use and reporting of the alternative measurement method were effective immediately upon the Statement's issuance in December of 2009. The provisions related to the frequency and timing of measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011.

The GASB has issued Statement No. 59, "Financial Instruments Omnibus." The Statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools. The Statement is effective for financial statements prepared by state and local governments for periods beginning after June 15, 2010, with earlier application encouraged.

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

NOTES TO BASIC FINANCIAL STATEMENTS
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 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, 2010:

	Carrying Amount
Petty Cash	\$ 111
Cash in County Treasury	4,677,356
Cash – Held in Trust	227,516
Investment in VCJPA	<u>272,094</u>
Total Cash and Investments	<u>\$ 5,177,077</u>

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NOTES TO BASIC FINANCIAL STATEMENTS

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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.

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, 2010, none of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2010

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, 2010:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Land - not depreciable	\$ 710,889	\$ -	\$ -	\$ 710,889
Buildings and Improvements	4,366,538			4,366,538
Furniture and Equipment	1,417,016	110,430	(96,633)	1,430,813
Total capital assets	6,494,443	110,430	(96,633)	6,508,240
Less accumulated depreciation for:				
Buildings and Improvements	(709,839)	(116,320)		(826,159)
Furniture and Equipment	(871,273)	(202,153)	92,533	(980,893)
Total accumulated depreciation	(1,581,112)	(318,473)	92,533	(1,807,052)
Total capital assets - net depreciation	\$ 4,913,331	\$ (208,043)	\$ (4,100)	\$ 4,701,188

Depreciation expense of \$318,473 was charged to governmental activities.

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

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>
2011	<u>275,000</u>	<u>12,512</u>	<u>287,512</u>
Totals	<u>\$ 275,000</u>	<u>\$ 12,512</u>	<u>\$ 287,512</u>

A schedule of changes in long-term debt for the year ended June 30, 2010 is as follows:

	Balance July 1, 2009	Additions	Payments	Balance June 30, 2010	Current Portion
Certificates of participation	\$ 540,000	\$ -	\$ 265,000	\$ 275,000	\$ 275,000
Compensated absences	323,008	221,175	171,574	372,609	-
Total long term debt	<u>\$ 863,008</u>	<u>\$ 221,175</u>	<u>\$ 436,574</u>	<u>\$ 647,609</u>	<u>\$ 275,000</u>

6. 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.

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2010

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, 2009 (audited), was as follows:

	<u>VCJPA</u>
Total Assets	\$ 12,253,751
Total Liabilities	6,828,230
Fund Balance	5,425,521
Total Revenues	3,597,645
Total Expenditures	3,630,544
Net Decrease in Fund Balance	(32,899)

The District's share of the VCJPA's Members Trust Fund and Property Contingency Fund balance at June 30, 2010, was \$233,827 and \$38,267, 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.

7. 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.

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2010

8. 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, 2010, was \$1,542,660. The District's contributions were calculated using the base salary amount of \$1,520,391. Both the District and the covered employees made the required contributions totaling \$229,678 and \$80,297, respectively.

9. POSTEMPLOYMENT HEALTH CARE BENEFITS

The Government Accounting Standards Board has issued Statement No. 45, Accounting and Reporting by Employers for Postemployment Benefits other than Pensions. This pronouncement provides guidance for special 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 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 District did not adopt provisions of this statement during the year ended June 30, 2010.

Plan Description

Depending on the number of years of service and the circumstances surrounding retirement, employees may be eligible to received health care insurance cost reimbursement of between 25%-100% and prescription drug coverage reimbursement of \$500-\$1,000 per year.

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Funding Policy

The contribution requirements of the plan members and the District are established and may be amended by the District. For the year ended June 30, 2010, 6 employees received benefits at a cost to the District of \$29,501.

Although the District has agreed to provide retiree healthcare coverage, the amount of the total obligation as of June 30, 2010 is not known as the District has not completed the required actuarial study or internal calculations to calculate this amount.

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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:				
Property taxes:				
Current, secured	\$1,610,237	\$1,610,237	\$ 1,385,555	\$ (224,682)
Current, unsecured	-	-	92,976	92,976
Prior, secured	-	-	1,620	1,620
Prior, unsecured	-	-	(381)	(381)
Homeowners' property tax relief	-	-	11,197	11,197
Miscellaneous	443,386	443,386	439,865	(3,521)
Benefit assessment	1,408,553	1,408,553	1,408,553	-
Other revenues:				
Interest	100,000	100,000	24,013	(75,987)
Charges for services	300,000	300,000	393,779	93,779
Miscellaneous	<u>233,801</u>	<u>233,801</u>	<u>463,467</u>	<u>229,666</u>
Total Revenues	<u>4,095,977</u>	<u>4,095,977</u>	<u>4,220,644</u>	<u>124,667</u>
EXPENDITURES:				
Operating expenditures:				
Salaries and benefits	2,074,593	2,074,593	2,187,542	(112,949)
Materials, supplies and services	<u>998,425</u>	<u>1,156,830</u>	<u>1,146,789</u>	<u>10,041</u>
Total Expenditures	<u>3,073,018</u>	<u>3,231,423</u>	<u>3,334,331</u>	<u>(102,908)</u>
Net change in fund balance	<u>\$1,022,959</u>	<u>\$ 864,554</u>	886,313	<u>\$ 227,575</u>
Fund balance beginning			<u>3,494,691</u>	
Fund balance ending			<u>\$ 4,381,004</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, 2010

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE <u>(UNFAVORABLE)</u>
SALARIES AND EMPLOYEE BENEFITS:			
Full time regular positions	\$ 1,416,000	1,483,281	\$ (67,281)
Part time regular positions	73,393	75,775	(2,382)
Retirement plan	222,000	235,280	(13,280)
Dental insurance	36,000	31,144	4,856
Health insurance	256,000	283,794	(27,794)
Vision insurance plan	4,400	4,382	18
Medicare insurance	20,500	23,153	(2,653)
Long-term disability	10,400	9,242	1,158
Social Security	11,500	13,775	(2,275)
Unemployment insurance	15,000	15,182	(182)
AFLAC Insurance	9,400	12,534	(3,134)
Total Salaries and Employee Benefits	<u>2,074,593</u>	<u>2,187,542</u>	<u>(112,949)</u>
SERVICES AND SUPPLIES:			
Agricultural supplies	330,000	375,615	(45,615)
Clothing	25,050	17,960	7,090
Electricity and gas	23,000	22,276	724
Gas, oil and grease	54,000	60,254	(6,254)
General maintenance	10,300	8,248	2,052
Household	2,600	1,637	963
Liability insurance	40,705	43,189	(2,484)
Worker's Compensation	71,700	48,251	23,449
Medical and laboratory	4,100	1,369	2,731
Meetings and conferences	101,000	94,329	6,671
Memberships	20,875	20,621	254
Miscellaneous expenses	-	48,314	(48,314)
Miscellaneous repair	73,500	63,476	10,024
Office	30,000	31,355	(1,355)
Service and consultation	230,600	240,615	(10,015)
Special Expense	83,900	21,226	62,674
Telephone	28,500	32,772	(4,272)
Tools and instruments	21,000	12,256	8,744
Water and sewer disposal	6,000	2,247	3,753
Equipment	-	779	(779)
Total Services and Supplies	<u>1,156,830</u>	<u>1,146,789</u>	<u>10,041</u>
TOTAL EXPENDITURES	\$ <u>3,231,423</u>	\$ <u>3,334,331</u>	\$ <u>(102,908)</u>

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

SCHEDULE OF SUB-FUND EXPENDITURES
CAPITAL PROJECT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>SMCMAD</u>	<u>NORTH WEST COUNTY</u>	<u>TOTAL GENERAL FUND</u>
SALARIES AND EMPLOYEE BENEFITS:			
Full time regular positions	\$ 889,969	\$ 593,312	\$ 1,483,281
Part time regular positions	45,465	30,310	75,775
Retirement plan	141,168	94,112	235,280
Dental insurance	18,686	12,458	31,144
Health insurance	170,276	113,518	283,794
Vision insurance plan	2,629	1,753	4,382
Medicare insurance	13,892	9,261	23,153
Long-term disability	5,545	3,697	9,242
Social Security	8,265	5,510	13,775
Unemployment insurance	9,109	6,073	15,182
AFLAC Insurance	7,520	5,014	12,534
Total Salaries and Employee Benefits	<u>1,312,525</u>	<u>875,017</u>	<u>2,187,542</u>
SERVICES AND SUPPLIES:			
Agricultural supplies	225,369	150,246	375,615
Clothing	10,776	7,184	17,960
Electricity and gas	13,366	8,910	22,276
Gas, oil and grease	36,152	24,102	60,254
General maintenance	4,949	3,299	8,248
Household	982	655	1,637
Liability insurance	25,913	17,276	43,189
Worker's Compensation	28,951	19,300	48,251
Medical and laboratory	821	548	1,369
Meetings and conferences	56,597	37,732	94,329
Memberships	12,373	8,248	20,621
Miscellaneous repair	38,086	25,390	63,476
Miscellaneous Expenses	28,988	19,326	48,314
Office	18,813	12,542	31,355
Service and consultation	144,369	96,246	240,615
Special	12,736	8,490	21,226
Telephone	19,663	13,109	32,772
Tools and instruments	7,354	4,902	12,256
Water and sewer disposal	1,348	899	2,247
Equipment	467	312	779
Total Services and Supplies	<u>688,073</u>	<u>458,716</u>	<u>1,146,789</u>
TOTAL EXPENDITURES	<u>\$ 2,000,599</u>	<u>\$ 1,333,732</u>	<u>\$ 3,334,331</u>

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

SCHEDULE OF SUB-FUND EXPENDITURES
CAPITAL PROJECT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
LONG TERM DEBT:			
Repayment of loan	\$ 291,600	\$ 289,438	\$ 2,162
Legal and administration	2,500	1,485	1,015
Total Long Term Debt	<u>294,100</u>	<u>290,923</u>	<u>3,177</u>
SERVICES AND SUPPLIES:			
District special expense	2,000	1,452	548
Miscellaneous repair	37,000	40,226	(3,226)
Special tools	45,700	52,161	(6,461)
Structure/Improvements	23,000	692	22,308
Equipment	<u>174,500</u>	<u>159,204</u>	<u>15,296</u>
Total Services and Supplies	<u>282,200</u>	<u>253,735</u>	<u>28,465</u>
TOTAL EXPENDITURES	<u>\$ 576,300</u>	<u>\$ 544,658</u>	<u>\$ 31,642</u>

Concluded

Schedule 3

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
(GENERAL FUND)
LAST FIVE FISCAL YEARS

	2006	2007	2008	2009	2010
Revenues:					
Property taxes	\$ 1,298,390	\$ 1,391,365	\$ 1,483,599	\$ 1,583,278	\$ 1,479,770
Special mosquito control tax	440,552	441,143	441,840	442,886	439,865
Other taxes	140,940	131,298	154,909	165,661	218,288
Inspection services	318,343	533,633	472,609	447,652	393,779
Special benefit assessment	1,286,889	1,311,456	1,351,917	1,396,087	1,408,553
Investment earnings	78,738	145,166	117,602	59,139	24,013
Miscellaneous revenue	205,961	112,312	68,217	99,337	256,376
Total Revenues	3,769,813	4,066,373	4,090,693	4,194,040	4,220,644
Expenditures:					
Salaries and employee benefits	1,564,398	1,711,244	1,770,290	2,045,813	2,187,542
Agricultural supplies	240,471	189,026	185,788	268,787	375,615
Clothing	25,237	21,208	18,730	17,445	17,960
Electricity and gas	16,526	19,025	18,055	16,655	22,276
Gas, oil and grease	46,375	50,764	53,168	43,203	60,254
General maintenance	4,316	8,133	6,221	8,119	8,248
Household	1,935	2,669	1,616	2,137	1,637
Liability insurance	45,356	57,976	54,172	44,394	43,189
Worker's compensation	37,925	54,108	37,181	71,076	48,251
Medical and laboratory	1,624	2,443	945	3,641	1,369
Meetings and conferences	54,887	51,507	69,419	56,180	94,329
Memberships	14,353	14,706	16,532	14,205	20,621
Miscellaneous expenses	-	-	-	174,876	48,314
Miscellaneous repair	46,253	46,882	71,814	57,365	63,476
Office	17,790	20,485	17,391	22,233	31,355
Service and consultation	156,900	158,014	178,453	387,325	240,615
Special	174,800	233,452	188,815	101,766	21,226
Telephone	14,686	14,788	13,034	14,910	32,772
Tools and instruments	18,606	17,291	13,226	16,584	12,256
Water and sewer disposal	3,244	3,907	3,703	2,777	2,247
Equipment	4,212	2,663	533	-	779
Total Expenditures	2,489,894	2,680,291	2,719,086	3,369,491	3,334,331
Other Financial Sources (Uses):					
Interfund transfers	(1,200,000)	(1,000,000)	(1,200,000)	-	-
Investment loss	-	-	-	(94,334)	-
Total Other Financial Sources (Uses)	(1,200,000)	(1,000,000)	(1,200,000)	(94,334)	-
Change in Fund Balance	79,919	386,082	171,607	730,215	886,313
Beginning Unrestricted Fund Balance	2,023,842	2,206,787	2,592,869	\$ 2,764,476	\$ 3,494,691
Prior Period Adjustment	103,026	-	-	-	-
Beginning Unrestricted Fund Balance - as restated	2,126,868	2,206,787	2,592,869	2,764,476	3,494,691
Ending Unrestricted Fund Balance	\$ 2,206,787	\$ 2,592,869	\$ 2,764,476	\$ 3,494,691	\$ 4,381,004

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE
(CAPITAL PROJECTS FUND)
LAST FIVE FISCAL YEARS

	2006	2007	2008	2009	2010
Revenues:					
Investment earnings	\$ 33,246	\$ 77,978	\$ 73,358	\$ 16,717	\$ 11,705
Miscellaneous revenue	203,833	11,800	31,600	12,000	-
Total Revenues	237,079	89,778	104,958	28,717	11,705
Expenditures:					
Debt Service:					
Interest and fiscal charges	68,163	56,063	46,193	35,642	24,438
Principle payments	220,000	235,000	245,000	255,000	265,000
Distirct special expense	-	-	-	-	1,452
Legal and administration	51	2,395	3,412	2,555	1,485
Miscellaneous repair	17,240	13,975	-	11,960	40,226
Special tools	-	-	-	15,484	52,161
Capital outlay	647,293	565,920	871,586	821,139	159,896
Total Expenditures	952,747	873,353	1,166,191	1,141,780	544,658
Other Financial Sources (Uses):					
Interfund transfers	1,200,000	1,000,000	1,200,000	-	-
Investment loss	-	-	-	(99,433)	-
Total Other Financial Sources (Uses)	1,200,000	1,000,000	1,200,000	(99,433)	-
Change in Fund Balance	484,332	216,425	138,767	(1,212,496)	(532,953)
Beginning Unrestricted Fund Balance	1,580,905	2,065,237	2,281,662	2,420,429	1,207,933
Ending Unrestricted Fund Balance	\$ 2,065,237	\$ 2,281,662	\$ 2,420,429	\$ 1,207,933	\$ 674,980

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

MEMBERS OF THE BOARD OF TRUSTEES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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

DISTRICT MANAGER

Robert Gay

CLERK OF THE BOARD

Joann Dearman

Other Independent Auditor's Report



C. G. UHLENBERG LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**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 and Vector Control District (the "District") as of and for the year ended June 30, 2010, and have issued our report thereon dated November 3, 2010. 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 and Vector Control District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of San Mateo County Mosquito and Vector Control 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, reference number 2010-1, to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of



deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether San Mateo County Mosquito and 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

November 3, 2010
Redwood City, California

Findings and Recommendations

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

2010-01

Significant Deficiency - Financial Reporting

CONDITION: Accounting transactions were not properly recorded in accordance with generally accepted accounting principles. Some examples include, lack of year end cutoff procedures and revenue recognition procedures.

CRITERIA: Accounting records should be maintained in accordance with generally accepted accounting principles.

CAUSE OF CONDITION: Significant improvement was made in the accounting function in the fiscal year. However, additional training was required.

EFFECT OF CONDITION: The account balances were not complete and accurate.

RECOMMENDATION: We recommend that the District should provide training regularly to employees for accounting theories.

SAN MATEO COUNTY MOSQUITO AND VECTOR CONTROL

SUMMARY SCHEDULE OF PRIOR YEAR FINDING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

2009-01

Significant Deficiency - Financial Reporting

CONDITION: Accounting transactions were not properly recorded in accordance with generally accepted accounting principles. Some examples include, lack of proper accrual of expenditures and unrecorded interest income allocation.

CRITERIA: Accounting records should be maintained in accordance with generally accepted accounting principles.

CAUSE OF CONDITION: The accounting function was not adequately staffed during the fiscal year.

EFFECT OF CONDITION: The account balances were not complete and accurate.

RECOMMENDATION: We recommend that the District establishes procedures for accounting transactions. In addition, training should be provided to employees for accounting transactions according to general accepted accounting principles.

PROGRESS AND STATUS: Implemented.

2009-02

Significant Deficiency - Petty Cash Management

CONDITION: The District's accounting records showed the petty cash balances were negative. The amount recorded was not reconciled to actual petty cash.

CRITERIA: The petty cash fund must be reconcilable at all times. All receipts should be deposited intact.

CAUSE OF CONDITION: Lack of proper procedures for petty cash management.

EFFECT OF CONDITION: The accounting records for the petty cash account were not complete and accurate. In addition, improper cash handling can create opportunities for fraudulent activities.

RECOMMENDATION: We recommend that the District establishes procedures for petty cash transactions or eliminate the petty cash functions.

PROGRESS AND STATUS: Implemented.