



San Mateo County
Mosquito and Vector Control District
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June 7, 2013

To: R.J. Ricciardi, Inc., CPAs and Members of the Board of Trustees of the San Mateo County Mosquito & Vector Control District

In reviewing the Year Ended June 30, 2011 Audit report, the District Management would like to respond to the Current Year Observations made in the Management Report by R.J. Ricciardi CPAs. The District Management's comments are as follows:

Current Audit Year (FY 10-11) Observations by R.J. Ricciardi, CPAs

1) Written Accounting, Internal Control and Fraud Prevention Policies and Procedures

Observation: During our audit we noted the San Mateo County Mosquito and Vector Control District (the District) has written ethics policies but does not have a specific formal policy for deterring, preventing and detecting fraud.

Recommendation: We recommend the District develop and approve a specific formal policy for deterring, preventing and detecting fraud.

District Response: As of the present, the District has drafted a new policy (6080 Fraud Prevention) which addresses R.J. Ricciardi's recommendation above. The new policy outlines protocol to be followed with regards to reporting suspect fraudulent activity, and effectively addresses various forms of fraud including ethical and financial fraud. The District will treat all reported suspected improprieties in a confidential manner, and will use the proper means while conducting an investigation (including notifying the proper authorities: District Manager, Finance Director/HR, Finance/Audit Committee Chairperson, Board Officers, as well as District's County Counsel).

2) Full Financial Statements, Bank Statements and Reconciliations, and Credit Card Statement Reviews (Material Weakness).

Observation: During our audit we noted the District's Board did not receive a full financial statement (balance sheet and profit and loss) on a periodic basis prior to June 30, 2011. In addition bank statements, bank reconciliations, and credit card statements were not reviewed by a responsible official outside of the accounting department.

Corrective Action: These control weaknesses were addressed and corrected by the District during the course of the 11/12 fiscal year.

District Response: At the beginning of the 11/12 fiscal year, the District's Finance department implemented a new reporting package that provides District Trustees, District Management as well as the members of the public with full transparency of the District's financial activities. As the reporting package continues to evolve, all recommendations that are made to the District Manager and Finance Director are reviewed carefully before being implemented. The current monthly District Finance report includes the following reports for each District fund: 1) Month-to-Date (MTD) and Year-to-Date (YTD) Budget vs. Actual Analysis, 2) MTD and YTD Profit & Loss statements, 3) Balance Sheets, 4) Accounts Receivable Aging report, 5) Cash Activity & Reconciliations to San Mateo County bank statements, 6) Payroll Disbursement schedule, 7) Detail Check Registers, and 8) Credit Card Transaction Detail report with accompanying District credit card statement. The entire monthly financial package is compiled by finance staff members and reviewed and approved by the District Manager and Finance Director prior to being forwarded to District Trustees. Further, the report is presented at the monthly District Board Meeting and is approved by District Trustees.

3) Capital Asset and Long-Term Compensated Absences Accounts

Observation: During our audit we noted the District has not recorded capital assets and compensated absences account balances on their general ledger. The current threshold for capitalizing and depreciating certain capital costs is \$600.

Recommendation: We recommended the District record the account balances noted above on their general ledger and reconcile the balances to the supporting records periodically. We also recommend the District consider raising their capitalization threshold to \$5,000.

District Response: Currently, the District uses an Access Database program to track all District Fixed Asset purchases and retirements, including the corresponding monthly depreciation expense and accumulated depreciation. Compensated Absences are tracked in a spreadsheet and are reviewed and reconciled after each payroll run to the Accrued Compensated Absences report that is generated by the District's third party payroll provider (ADP). Beginning with Fiscal Year 13/14, the District Finance staff will create a new entity in QuickBooks to begin tracking both Fixed Assets and Compensated Absences as recommended by the District's auditor. Further, the fixed asset policy is under review by the Policy Committee to consider a higher capitalization threshold.

4) Quarterly Payroll Tax Return Reconciliations

Observation: During our audit we noted the District does not prepare a formal reconciliation of the salaries and related payroll tax amounts reported on the quarterly tax returns to the amounts reported on the District's general ledger.

Recommendation: These control weaknesses were addressed and corrected by the District during the course of the 11/12 fiscal year.

District Response: Beginning with Fiscal Year 11/12, the District Finance staff has prepared the recommended formal quarterly reconciliation of salaries, as reported on the quarterly tax returns generated by ADP to the District's general ledger.

5) Electronic Payments

Observation: During our audit we noted the District does not have written policy for the approval of Electronic payments prior to initiating the payment by two check signers.

Recommendation: We recommend the District develop and approve a formal policy for approving all electronic payments prior to initiating the payment by two check signers.

District Response: Beginning with Fiscal Year 11/12, the District Management eliminated the use of all Electronic Payments (excluding payroll direct deposits administered by ADP), and returned all token keys to the San Mateo County Treasurers Office. The District Management team understands that there may be rare occasions in which an Electronic Payment/wire will be necessary. In those instances we will comply with policies and procedures as set forth by the Treasurer's Office of San Mateo County. The District has drafted a new policy that will address the process which will need to be followed for obtaining approvals for regular wires (for payroll direct deposits only) and the process for the requesting, approving, and processing of non-recurring / one-time wires. The draft policy is currently being reviewed by the District's Policy Committee prior to being approved by the full Board of Trustees.

6) Non-recurring Journal Entries

Observation: During our audit we noted the District does not have written policies for the approval of all non-recurring general journal entries.

Recommendation: We recommend the District develop a specific formal policy for having all non-recurring journal entries approved by a responsible official outside of the accounting department. The approval should be documented by initialing the journal entry.

District Response: Although no formal policy existed with regards to the review and approval of District Journal Entries, the current finance staff has been following an internal policy where all journals are to be prepared by the District Accountant and reviewed and approved by the Finance Director. This process was put in place at the beginning of Fiscal Year 11/12. Our current process requires that all journal entries (whether recurring or non-recurring) be reviewed and approved (signed) by the District's Finance Director. In response to R.J. Ricciardi's recommendation, the District has drafted a journal entry policy that not only addresses non-recurring journal entries, but also includes the process for recurring journal entries. The draft policy is currently being reviewed by the District's Policy Committee prior to being approved by the full Board of Trustees.

7) Employee Theft Investigation (Material Weakness)

Observation: During the course of our audit we noted certain accounting records and supporting documents were destroyed by the District's accounting staff. As reported in Note 10 of the District's Financial Statements, an employee theft investigation was started in June 2011.

Corrective Action: The District hired outside consultants to investigate the fraud and review the District's controls over fraud during the fiscal years ending June 30, 2012 and 2013 and as a result has revamped and developed additional written internal control policies to mitigate the risk of future losses from fraud or error.

District Response: The District engaged C.G. Uhlenberg LLP to perform a forensic accounting investigation for Fiscal Year 2010-11. The extensive forensic accounting investigation identified the loss activities that were executed against the District by two former employees: Jo Ann Dearman, former Finance Director and Vika Sinipata, former Accounting Supervisor. The forensic accounting investigation started in June 2011 and was completed in October 2011.

Due to the discovery of the loss activities, the District was required to engage C.G. Uhlenberg LLP to perform a rebuild of the accounting records for the on-going health of the District for Fiscal Year 2010-11. Based on the numerous types of fraudulent transactions that were uncovered, it became obvious that this was the only course of action to be taken in order to ensure that the financial records of the District for Fiscal Year 2010-11 were accurate.

Following the completion of the forensic accounting investigation for Fiscal Year 2010-11, and the complete rebuilding of the accounting records for Fiscal Year 2010-11, C. G. Uhlenberg LLP provided the completed unaudited financial statements to the Board for approval at the January 2012 Board Meeting.

In addition, the District engaged with Dr. Peter Hughes, Director of Internal Audit, Orange County, in June 2012, to perform a complete assessment of the Districts system of financial internal controls for payroll, cash disbursements, equipment disposal, petty cash and credit card usage. Dr. Hughes provided a few recommendations, which were implemented by the District.

As a result of the District falling victim to fraudulent activity discovered in June 2011, the District implemented a revamped reporting package for District Management, Trustees, and members of the public to provide transparency for financial transactions. In addition, the District implemented several internal controls and segregation of duties, with a heavier focus on programs that were most affected by the fraud. These internal controls have been documented in the District's Internal Control Procedure Manual. These controls include, but are not limited to the following:

1. Bank Account, Checks and ACH/Wire Transfers:

- a. Blank check stock is maintained in a locked drawer that is only accessible by the District Manager and the Finance Director.
- b. The District Manager and Finance Director log onto the bank's website to review transactions that have cleared the bank to ensure no out-of-sequence checks have been cashed and that no irregular transactions have cleared the bank.
- c. The District Manager is reviewing the month-end reconciliation of cash to ensure that the District's books match the statement provided by the county.
- d. **No ACH wire transfers** can be completed with US Bank by the District. The District Manager has to direct the County Treasurers Office to complete such a transaction.

2. CAL-Card Credit Card Program:

- a. District Credit Cards are now limited to the District Manager, Department Directors (Assistant Manager and Laboratory Director), Operations Supervisor and the Office Administrator. As an internal control, the Finance Director and District Accountant do not have a District Credit Card.
- b. An analysis of credit card transactions was completed and credit card limits were reduced for each cardholder. We established tiered limits based on job title, where the District Manager has the highest single transaction and account limit, and the Office Administrator has the lowest limits.

3. **Service Abatement Invoicing:** The Office Administrator prepares monthly invoicing with supporting calculations, and verifies that invoicing is being calculated correctly and compliant with existing Service Abatement Contracts. The Assistant Manager and Finance Director both review and approve invoices before they are mailed out to the District's customers. The Office Administrator is responsible for the collection of all past due invoices.

4. Segregation of Duties established as key control for:

- a. **Payroll:** The Accountant prepares payroll and inputs the data into the payroll provider system (ADP system); the Finance Director reviews calculations for accuracy and ensures pay rates remain unchanged from the approved rates; the District Manager does a final review before payroll is submitted for processing. Biweekly payroll reports and checks sent to the District by courier from ADP are to only be opened by the District Manager and reviewed against the approved submitted payroll to ensure that no changes were made after the payroll was submitted. The Finance Director also reviews the final payroll reports and approves the journal entry that records payroll into the general ledger.
- b. **Accounts Payable:** All invoices received by the District are opened and stamped as received by the front desk. The Accountant will then forward the invoices to all department directors for approval and account coding to budgeted accounts. The District Manager and Finance Director shall approve all invoices prior to the Accountant processing them for payment. All checks require two wet signatures (one from the District Manager and a second from a Board Officer). Prior to the signing of the checks, the District Manager and Board Officer are provided the following: the check, supporting documentation (invoices, packing slips, purchase orders, etc) and check register for review and approval. Stamp signatures are no longer used for this process; previous stamp signatures templates were destroyed in June 2011.
- c. **Credit Card Statements/Payments:** All monthly credit card statements for each cardholder must be reconciled by each cardholder and include: original receipts, budgeted account coding, justification for purchases being made and shall be signed by the cardholder and their director. The District Manager and Finance Director shall review all credit card statement reconciliation packages, and provide approval prior to the Accountant processing the invoice for payment. A copy of the credit card statement and credit card report is provided in the monthly reporting package to the Board of Trustees as part of the Financial Report for the month.

- d. **Implementation of Work Order and Purchase Requisition/Purchase Order Program:** The District has implemented Work Order and Purchase Order Programs as a means of obtaining preauthorization to incurring expenditures.
- i. A Work Order Request Form must be completed and approved prior to incurring any expenditures related to repair, maintenance, or service related expenditures.
 - ii. Preauthorization for Expenditures occurs via the Purchase Order Program. A Purchase Requisition is required to be completed for all purchases over \$1,000 and will need to be approved by the District Manger before the Finance Director issues a Purchase Order. The issued Purchase Order indicates that the purchase has been preauthorized. All purchase orders comply with the District's existing purchasing policy and require informal or formal bidding as required.
- e. **Recording of Transactions via General Ledger Journal Entries and Monthly Bank Reconciliations:**
- i. General Leger Entries (such as those to record payroll, revenues, interest income, etc.) are prepared by the Accountant with full supporting documentation and approved by Finance Director.
 - ii. Bank Reconciliations (such as those to reconcile to the County's statements, Union Bank, and VCJPA) are prepared by the Accountant with full supporting documentation and approved by both the Finance Director and District Manager.

OTHER FINANCE AND ADMINISTRATIVE PROGRAMS

1. Beginning with FY12-13, the District implemented a completely revamped Budget package which included narratives, graphs, and information on reserves. With FY13/14, the District will continue to make improvements to our budget process and will make updates to reserves.
2. As the District continues to implement new programs and internal controls, we will also be looking into revising existing financial policies, as well as creating new policies. We continue to enforce existing polices through the following:
 - a. Purchasing Policy requiring bidding. We have had RFPs for various District purchases including RFPs for: audit services, HR consulting, pesticide purchases, janitorial services, and construction for our earthquake retrofit project.
 - b. The following policies are under revision by the Trustee Policy Committee.
 - i. 6020 Fixed Asset Accounting Control
 - ii. 6030 Expense Authorization
 - iii. 6040 Cash Disbursements

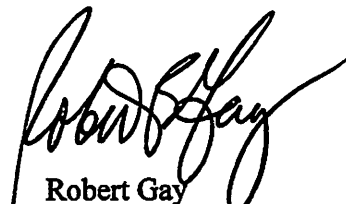
c. The following policies are new policies recommended by the current District auditor, R.J. Ricciardi, Inc. and are under review by the Trustee Policy Committee.

- i. 6080 Fraud Prevention
- ii. 6090 Accounts Payable Management
- iii. 6100 Journal Entry Approval
- iv. 6200 Cash and Cash Management

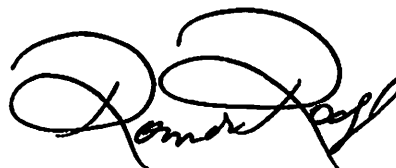
3. The District Internal Control Procedures Manual continues to be updated with changes to improve the controls.

Process improvements that were made to the District Finance Programs would not have been possible without the dedicated service of District staff, management, and District Trustees.

Respectfully,



Robert Gay
District Manager



Rosendo Rodriguez
Finance Director

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

MANAGEMENT REPORT

**For The Year Ended
JUNE 30, 2011**

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R. J. RICCIARDI, INC.
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
San Mateo County Mosquito and Vector Control District
Burlingame, California

In planning and performing our audit of the basic financial statements of San Mateo County Mosquito and Vector Control District for the fiscal year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of its internal control. Accordingly, we do not express an opinion on the effectiveness of San Mateo County Mosquito and Vector Control District's internal control.

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 a 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 a 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 the internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, as defined above. We did identify deficiencies in internal control that we consider material weaknesses, as defined above.

During our audit, we noted certain matters involving internal controls and other operational matters that are presented for your consideration in this report for the fiscal year ended June 30, 2011. We will review the status of these comments during our next engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are not intended to be all-inclusive, but rather represent those matters that we considered worthy of your consideration for the fiscal year ended June 30, 2011. Our comments and recommendations are submitted as constructive suggestions to assist you in strengthening controls and procedures currently; they are not intended to reflect on the honesty or integrity of any employee. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist San Mateo County Mosquito and Vector Control District in implementing the recommendations.

This report is intended solely for the information and use of management of San Mateo County Mosquito and Vector Control District and others within the organization, and is not to be and should not be used by anyone other than these specified parties.

We thank San Mateo County Mosquito and Vector Control District's staff for its cooperation during our audit.

R. J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
February 27, 2013

San Mateo County Mosquito and Vector Control District
MANAGEMENT REPORT
For the Year Ended June 30, 2011

We have been engaged to audit the basic financial statements of San Mateo County Mosquito and Vector Control District for the year ended June 30, 2011. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 13, 2012, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the basic financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of San Mateo County Mosquito and Vector Control District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by San Mateo County Mosquito and Vector Control District are described in Note 2 to the basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2011. There are no significant transactions that have been recognized in the basic financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the basic financial statements taken as a whole. The most sensitive estimates affecting the basic financial statements were:

- Accrual and disclosure of compensated absences
- Capital asset lives and depreciation expense
- Actuarial assumptions for pension and other post-employment benefit plans.

Difficulties Encountered in Performing the Audit

Certain records supporting data relating to San Mateo County Mosquito and Vector Control District's financial statements were not available for our audit due to the fraud investigation. Because of the significance of the matters, the scope of our work was not sufficient to enable us to express an opinion on San Mateo County Mosquito and Vector Control District's Financial Statements. These matters are presented on pages 4 and 5 of this report.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Of the misstatements detected as a result of audit procedures and corrected by management, one was material, either individually or in the aggregate, to the financial statements taken as a whole. These adjustments are presented on page 6.

San Mateo County Mosquito and Vector Control District
MANAGEMENT REPORT
For the Year Ended June 30, 2011

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We were unable to obtain certain representations from management as required by generally accepted auditing standards due to the fraud discovered during the year ended June 30, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to San Mateo County Mosquito and Vector Control District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as San Mateo County Mosquito and Vector Control District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

San Mateo County Mosquito and Vector Control District
MANAGEMENT REPORT
For the Year Ended June 30, 2011

Current Year Observations

1) Written Accounting, Internal Control and Fraud Prevention Policies and Procedures

Observation:

During our audit we noted the San Mateo County Mosquito and Vector Control District (the District) has written ethics policies but does not have a specific formal policy for deterring, preventing and detecting fraud.

Recommendation:

We recommend the District develop and approve a specific formal policy for deterring, preventing and detecting fraud.

2) Full Financial Statements, Bank Statements and Reconciliations and Credit Card Statement Reviews (Material Weakness)

Observation:

During our audit we noted the District's Board did not receive a full financial statement (balance sheet and profit and loss) on a periodic basis prior to June 30, 2011. In addition bank statements, bank reconciliations, and credit card statements were not reviewed by a responsible official outside of the accounting department on a regular basis.

Corrective Action:

These control weaknesses were addressed and corrected by the District during the course of the 11-12 fiscal year.

3) Capital Asset and Long-Term Compensated Absences Accounts

Observation:

During our audit we noted the District has not recorded capital assets and compensated absences account balances on their general ledger. The current threshold for capitalizing and depreciating certain capital costs is \$600.

Recommendation:

We recommend the District record the account balances noted above on their general ledger and reconcile the balances to the supporting records periodically. We also recommend the District consider raising their capitalization threshold to \$5,000.

4) Quarterly Payroll Tax Return Reconciliations

Observation:

During our audit we noted the District does not prepare a formal reconciliation of the salaries and related payroll tax amounts reported on the quarterly tax returns to the amounts reported on the District's general ledger.

San Mateo County Mosquito and Vector Control District
MANAGEMENT REPORT
For the Year Ended June 30, 2011

Corrective Action:

This control weakness was addressed and corrected by the District during the course of the 11-12 fiscal year.

5) Electronic Payments

Observation:

During our audit we noted the District does not have a written policy for the approval of electronic payments prior to initiating the payment by two check signers.

Recommendation:

We recommend the District develop and approve a formal policy for approving all electronic payments prior to initiating the payment by two check signers.

6) Non-recurring Journal Entries

Observation:

During our audit we noted the District does not have written policies for the approval of all non-recurring general journal entries.

Recommendation:

We recommend the District develop a specific formal policy for having all non-recurring journal entries approved by a responsible official outside of the accounting department. The approval should be documented by initialing the journal entry.

7) Employee Theft Investigation (Material Weakness)

Observation:

During the course of our audit we noted certain accounting records and supporting documents were destroyed by the District's accounting staff. As reported in Note 10 of the District's Financial Statements, an employee theft investigation was started in June 2011.

Corrective Action:

The District hired outside consultants to investigate the fraud and review the District's controls over fraud during the fiscal years ending June 30, 2012 and 2013 and as a result has revamped and developed additional written internal control policies to mitigate the risk of future losses from fraud or error.

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

BURLINGAME, CALIFORNIA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

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INDEPENDENT AUDITORS' REPORT

Board of Directors
San Mateo County Mosquito and Vector Control District
Burlingame, California

We were engaged to audit the accompanying basic financial statements of the governmental activities and each major fund of San Mateo County Mosquito and Vector Control District as of and for the year ended June 30, 2011, as listed in the table of contents. These basic financial statements are the responsibility of San Mateo County Mosquito and Vector Control District's management.

Certain records and supporting data relating to San Mateo County Mosquito and Vector Control District's Statement of Activities and Statement of Revenues, Expenditures, and Changes in Fund Balances were not available for our audit due to a pending fraud investigation. Therefore, we were not able to satisfy ourselves about the amounts at which revenues and expenditures were recorded in the accompanying Statement of Activities and Statement of Revenues, Expenditures, and Changes in Fund Balances at June 30, 2011. In addition, certain inquiries regarding accounts balances and other matters have not been resolved.

We were unable to obtain written representations from management of San Mateo County Mosquito and Vector Control District as required by generally accepted auditing standards.

Because of the significance of the matters discussed in the preceding paragraphs, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

As discussed in Note 9 to the basic financial statements, San Mateo County Mosquito and Vector Control District has not properly reported the financial effects of other postemployment benefits on the accrual basis of accounting in accordance with Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. In our opinion, accounting principles generally accepted in the United States of America require that other postemployment benefits be accounted for and disclosed on the accrual basis of accounting. The effects on the financial statements of the preceding omission are not readily determinable.

As discussed in Note 10 to the basic financial statements, in June of 2011 San Mateo County Mosquito and Vector Control District began an investigation relating to employee theft. The theft is estimated to represent a significant portion of the District's total assets and operations.

R. J. Ricciardi, Inc.

R. J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
February 27, 2013

San Mateo County Mosquito and Vector Control District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011
(Unaudited)

This section of San Mateo County Mosquito and Vector Control District's (the District's) basic financial statements presents management's overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2011. We encourage the reader to consider the information presented here in conjunction with the District's basic financial statements, including notes and supplementary information that immediately follow this section, as a whole.

Introduction to the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's audited financial statements, which are comprised of the basic financial statements. This annual report is prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for States and Local Governments*. The Single Governmental Program for Special Purpose Governments reporting model is used which best represents the activities of the District.

The required financial statements include the Government-wide and Fund Financial Statements; Statement of Net Assets and Governmental Fund Balance Sheet; Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances; and the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types.

These statements are supported by notes to the basic financial statements. All sections must be considered together to obtain a complete understanding of the financial picture of the District for the year ended June 30, 2011.

The Basic Financial Statements

The Basic Financial Statements comprise the Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the District's financial activities and financial position for the year ended June 30, 2011.

The Government-wide Financial Statements provide a longer-term view of the District's activities as a whole, and comprise the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information about the financial position of the District as a whole, including all of its capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information about all of the District's revenues and all of its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of the District's programs. The Statement of Activities explains in detail the change in Net Assets for the year.

All of the District's activities are grouped into Government Activities, as explained below.

The Fund Financial Statements report the District's operations in more detail than the Government-wide statements and focus primarily on the short-term activities of the District's General Fund and Capital Project Fund. The Fund Financial Statements measure only current revenues and expenditures and fund balances; they exclude capital assets, long-term debt and other long-term amounts.

Major Funds account for the major financial activities of the District and are presented individually. Major Funds are explained below.

The Government-wide Financial Statements

Government-wide Financial Statements are prepared on the accrual basis, which means they measure the flow of all economic resources of the District as a whole.

San Mateo County Mosquito and Vector Control District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011
(Unaudited)

The Statement of Net Assets and the Statement of Activities present information about the following:

Governmental Activities – The District's basic services are considered to be governmental activities. These services are supported by general District revenues such as taxes, and by specific program revenues such as user fees and charges.

Fund Financial Statements

The Fund Financial Statements provide detailed information about each of the District's most significant funds, called Major Funds. The concept of Major Funds, and the determination of which are Major Funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them in total. Instead, each Major Fund is presented individually; the District has no Non-major Funds. Major Funds present the major activities of the District for the year, and may change from year-to-year as a result of changes in the pattern of the District's activities.

In the District's case, the General Fund is the only Major Governmental Fund.

Governmental Fund Financial Statements are prepared on the modified accrual basis, which means they measure only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements.

Comparisons of Budget and Actual financial information are presented for the General Fund.

Analyses of Major Funds

Governmental Funds

General Fund revenues were \$4,128,619, a decrease of \$92,025 this fiscal year due primarily to the decrease in property taxes.

General Fund expenditures were \$3,635,678, an increase of \$301,347 from the prior year mainly due to increases in payroll related expenditures.

San Mateo County Mosquito and Vector Control District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended June 30, 2011
 (Unaudited)

Governmental Activities

Table 1
Governmental Net Assets

	Governmental Activities	
	2011	2010
<u>Assets</u>		
Current and other assets	\$ 4,936,207	\$ 5,225,194
Depreciable assets, net of depreciation	<u>4,592,483</u>	<u>4,701,188</u>
Total assets	<u>9,528,690</u>	<u>9,926,382</u>
<u>Liabilities</u>		
Current liabilities	130,187	169,210
Other liabilities	<u>222,551</u>	<u>647,609</u>
Total liabilities	<u>352,738</u>	<u>816,819</u>
<u>Net Assets</u>		
Invested in capital assets, net of debt	4,592,483	4,426,188
Restricted for debt service	-	272,094
Unrestricted	<u>4,583,469</u>	<u>4,411,281</u>
Total net assets	<u>\$ 9,175,952</u>	<u>\$ 9,109,563</u>

The District's governmental net assets amounted to \$9,175,952 as of June 30, 2011, an increase of \$70,097 from 2010. The increase is the Change in Net Assets reflected in the Governmental Activities column of the Statement of Activities shown in Table 2. The District's net assets as of June 30, 2011 comprised the following:

- Cash and investments of \$4,625,282.
- Accounts receivable of \$24,371.
- Depreciable assets of \$4,592,483 net of depreciation charges, which includes all the District's capital assets used in governmental activities.
- Liabilities, including accounts payable and compensated absences, totaling \$352,738.

The Statement of Activities presents program revenues and expenses and general revenues in detail. All of these are elements in the Changes in Governmental Net Assets summarized in the following table.

San Mateo County Mosquito and Vector Control District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended June 30, 2011
 (Unaudited)

Table 2
Changes in Governmental Net Assets

	Governmental Activities	
	2011	2010
<u>Expenses</u>		
Mosquito abatement, net of charges for service	\$ 3,729,198	\$ 3,847,195
Interest on long-term debt	12,864	24,438
Total expenses	<u>3,742,062</u>	<u>3,871,633</u>
<u>Program revenues</u>		
Charges for services	<u>284,448</u>	<u>393,779</u>
<u>General revenues</u>		
Property taxes	1,581,340	1,479,770
Special mosquito control tax	458,635	439,865
Other taxes	200,237	218,288
Special benefit assessment	1,396,134	1,408,553
Miscellaneous	161,334	256,376
Interest and investment earnings	50,750	35,718
Subtotal general revenues	<u>3,848,430</u>	<u>3,838,570</u>
<u>Special items</u>		
Gain (loss) on disposal of capital assets	19,862	(4,100)
Employee theft	<u>(340,581)</u>	<u>-</u>
Total revenues and special items	<u>3,527,711</u>	<u>4,228,249</u>
Change in net assets	<u>\$ 70,097</u>	<u>\$ 356,616</u>

As Table 2 above shows, 93% of the District's fiscal year 2011 governmental revenue of \$4,132,878 came from general revenues such as taxes and interest.

General revenues are not allocable to programs. General revenues are used to pay for the net cost of governmental programs.

Capital Assets

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. The original amount of debt was \$2,275,000. The balance of the District's long-term debt as of June 30, 2011 was \$0. Additionally, the District carries a defined benefit post-employment healthcare plan.

Economic Outlook and Major Initiatives

The District's financial position continues to be more than adequate. Financial planning is based on specific assumptions from recent trends in property values, State of California economic forecasts and historical growth patterns in the various communities served by the District.

San Mateo County Mosquito and Vector Control District
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011
(Unaudited)

As noted above under Debt Administration, the District has now paid off the 10-year, \$2,275,000 loan to construct a new building and will have additional funds available for future needs.

The District continues to face increases in salaries, benefits, fuel, pesticides and insurance. There are also calls for changes in property tax allocation from State control to more local control and talk of initiatives to eliminate *ad valorem* property tax funds from special district revenues.

Contacting the District Financial Management

This comprehensive Annual Financial Report is intended to provide citizens, taxpayers, and creditors with a general overview of the District's finances. Questions regarding this report should be directed to: General Manager of San Mateo County Mosquito and Vector Control District, 1351 Rollins Road, Burlingame, CA, 94010.

San Mateo County Mosquito and Vector Control District
STATEMENT OF NET ASSETS
June 30, 2011

ASSETS

Cash and investments	\$ 4,625,282
Accounts receivable	24,371
Total current assets	<u>4,649,653</u>
Deposits in VCJPA	286,554
Depreciable capital assets, net	<u>4,592,483</u>
Total assets	<u>9,528,690</u>

LIABILITIES

Due within one year:	
Accounts payable	76,649
Accrued payroll	<u>53,538</u>
Total current liabilities	<u>130,187</u>
Due after one year:	
Compensated absences	<u>222,551</u>
Total liabilities	<u>352,738</u>

NET ASSETS

Invested in capital assets, net of related debt	4,592,483
Unrestricted	<u>4,583,469</u>
Total net assets	<u>\$ 9,175,952</u>

The accompanying notes are an integral part of these financial statements

San Mateo County Mosquito and Vector Control District
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Expenditures</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
		Charges for Services	Total Governmental Activities
Governmental activities:			
Mosquito abatement	\$ 3,742,062	\$ 284,448	\$ (3,457,614)
Total governmental activities	<u>\$ 3,742,062</u>	<u>\$ 284,448</u>	<u>(3,457,614)</u>
General revenues:			
Property taxes			1,581,340
Special mosquito control tax			458,635
Other taxes			200,237
Special taxes and benefit assessment			1,396,134
Interest and investment earnings			50,750
Miscellaneous revenue			<u>161,334</u>
Subtotal general revenues			3,848,430
Special items:			
Gain on disposal of capital assets			19,862
Employee theft			<u>(340,581)</u>
Total general revenues			<u>3,527,711</u>
Change in net assets			<u>70,097</u>
Net assets, beginning of period			<u>9,105,855</u>
Net assets, end of period			<u>\$ 9,175,952</u>

The accompanying notes are an integral part of these financial statements

San Mateo County Mosquito and Vector Control District
 GOVERNMENTAL FUND
BALANCE SHEET
 June 30, 2011

<u>ASSETS</u>	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Cash and investments available for operation	\$ 4,459,571	\$ 165,711	\$ 4,625,282
Accounts receivable	24,371	-	24,371
Deposits in VCJPA	286,554	-	286,554
Total assets	<u>\$ 4,770,496</u>	<u>\$ 165,711</u>	<u>\$ 4,936,207</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 76,649	\$ -	\$ 76,649
Accrued payroll	53,538	-	53,538
Total liabilities	<u>130,187</u>	<u>-</u>	<u>130,187</u>
<u>FUND BALANCES</u>			
Assigned - VCJPA	286,554	-	286,554
Assigned - Capital outlay	-	165,711	165,711
Unassigned	4,353,755	-	4,353,755
Total fund balances	<u>4,640,309</u>	<u>165,711</u>	<u>4,806,020</u>
Total liabilities and fund balances	<u>\$ 4,770,496</u>	<u>\$ 165,711</u>	<u>\$ 4,936,207</u>

The accompanying notes are an integral part of these financial statements

San Mateo County Mosquito and Vector Control District
 Reconciliation of the
GOVERNMENTAL FUND - BALANCE SHEET
 with the Governmental Activities
STATEMENT OF NET ASSETS
 For the Year Ended June 30, 2011

TOTAL FUND BALANCES - GOVERNMENTAL FUND	\$	4,806,020
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Amounts reported for Governmental Activities in the Statement of Net Assets are different from those reported in the Governmental Fund above because of the following:

LONG-TERM LIABILITY

The liabilities below are not due and payable in the current period and therefore are not reported in the Governmental Funds:

Compensated absences		(222,551)
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CAPITAL ASSETS

Capital Assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Fund. The actual or estimated historical acquisition cost of the assets is \$6,477,770 and the accumulated depreciation is \$1,888,566:

		<u>4,592,483</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>9,175,952</u>
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The accompanying notes are an integral part of these financial statements

San Mateo County Mosquito and Vector Control District
GOVERNMENTAL FUND
STATEMENT OF REVENUES
EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2011

	General	Capital Projects	Total
	Fund	Fund	Governmental
Revenues:			Funds
Property taxes	\$ 1,581,340	\$ -	\$ 1,581,340
Special mosquito control tax	458,635	-	458,635
Other taxes	200,237	-	200,237
Inspection services	284,448	-	284,448
Special benefit assessment	1,396,134	-	1,396,134
Investment earnings	46,491	4,259	50,750
Miscellaneous revenue	<u>161,334</u>	<u>-</u>	<u>161,334</u>
Total revenues	<u>4,128,619</u>	<u>4,259</u>	<u>4,132,878</u>
Expenditures:			
Personal services	2,534,246	-	2,534,246
Service and supplies	1,017,223	20,589	1,037,812
Debt service	-	287,864	287,864
Capital outlay	<u>84,209</u>	<u>115,422</u>	<u>199,631</u>
Total expenditures	<u>3,635,678</u>	<u>423,875</u>	<u>4,059,553</u>
Excess (deficiency) of revenues over expenditures	<u>492,941</u>	<u>(419,616)</u>	<u>73,325</u>
Other financing sources (uses):			
Transfers in	65,008	12,296	77,304
Transfers out	(12,296)	(65,008)	(77,304)
Employee theft	<u>(300,219)</u>	<u>(40,362)</u>	<u>(340,581)</u>
Change in fund balance	<u>245,434</u>	<u>(512,690)</u>	<u>(267,256)</u>
Fund balance - beginning	<u>4,394,875</u>	<u>678,401</u>	<u>5,073,276</u>
Fund balance - ending	<u>\$ 4,640,309</u>	<u>\$ 165,711</u>	<u>\$ 4,806,020</u>

The accompanying notes are an integral part of these financial statements

San Mateo County Mosquito and Vector Control District
 Reconciliation of the
GOVERNMENTAL FUND - STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES
 with the Governmental Activities
STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2011

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUND \$ (267,256)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	199,631
Depreciation expense	(307,199)

Repayments of loans are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of these repayments are treated as a reduction to liabilities.

Repayment of loan principal is added back to fund balance.	275,000
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Governmental funds do not report gain on disposal of capital assets. However, 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.

Gain on disposal of capital assets	19,862
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ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change).

Compensated absences	150,059
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Changes in net assets of governmental activities	\$ 70,097
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The accompanying notes are an integral part of these financial statements

San Mateo County Mosquito and Vector Control District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011
(Unaudited)

NOTE 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. 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

Based on the above criteria, the District determined that there were not any component units as of June 30, 2011.

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.

San Mateo County Mosquito and Vector Control District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011
(Unaudited)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (concluded)

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 meet the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements:

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

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

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.

San Mateo County Mosquito and Vector Control District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011
(Unaudited)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (concluded)

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 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 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.

San Mateo County Mosquito and Vector Control District
NOTES TO BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2011
 (Unaudited)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budget (concluded)

Expenditures over Appropriation

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

Fund	Expenditure Category	Excess Expenditure	Explanation
General Fund	Services and Supplies	\$30,337	Capital outlay that was budgeted for in the Capital Project Fund was recorded as an expenditure in the General Fund

F. Use of Estimates

The District'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 Process		
Building & Improvements	Paving, retaining walls, sidewalks, fencing, and outdoor lighting	7-50
Furniture & Equipment	Furniture, computers, and other equipment	5-20
Vehicles	Service trucks & other vehicles	5-15

San Mateo County Mosquito and Vector Control District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011
(Unaudited)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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 \$222,551 at June 30, 2011.

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 Obligation

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 Equity

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance-amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance-amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

- Committed fund balance-amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. Board of trustees). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove the constraint.

San Mateo County Mosquito and Vector Control District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011
(Unaudited)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Fund Equity (concluded)

Assigned fund balance-amounts the District intends to use for a specific purpose. Intent can be expressed by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. In the general fund, the amount provided to the VCJPA as deposit is assigned. In the capital project fund, the amount to be used in capital outlay is assigned.

- Unassigned fund balance-amounts that are available for any purpose. Positive amounts are reported only in the general fund

The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Trustees through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

L. Net Assets

Net assets 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. Implemented New Accounting Pronouncements

The Government Accounting Standards Board 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 Government Accounting Standards Board also 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. The District adopted provisions of these statements during the year ended June 30, 2011.

San Mateo County Mosquito and Vector Control District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011
(Unaudited)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (concluded)

M. Implemented New Accounting Pronouncements (concluded)

Upcoming Accounting and Reporting Changes

The District is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

The Governmental Accounting Standards Board ("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.

In November 2011, the GASB issued Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, which is effective for financial periods beginning after December 15, 2011. This pronouncement provides accounting guidance for service concession arrangements in which a transferor and an operator in which the transferor conveys to an operator the right and the related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and the operator collects and is compensated by fees from third parties. To date the District has not entered into any service concession arrangements covered under this statement.

In December 2011, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which is effective for financial statements for periods beginning after December 15, 2011. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in certain FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict or contradict GASB pronouncements.

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which is effective for financial statements for periods beginning after December 15, 2011. This statement provides guidance for deferred outflows of resources and deferred inflows of resources; previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

San Mateo County Mosquito and Vector Control District
NOTES TO BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2011
 (Unaudited)

NOTE 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	Upon receipt of 50% on February 1 billing
Delinquent as of	December 10 (for November)	August 31 April 10 (for February)

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.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments consisted of the following at June 30, 2011:

Petty Cash	<u>Carrying Amount</u> \$ 200
Cash in County treasury	4,625,082
Total Cash and Investments	<u>\$ 4,625,282</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.

San Mateo County Mosquito and Vector Control District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011
(Unaudited)

NOTE 3 - CASH AND INVESTMENTS (concluded)

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 correlates to greater 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 a deposit 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.

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.

San Mateo County Mosquito and Vector Control District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011
(Unaudited)

NOTE 4 - CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2011:

	Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2011</u>
Land (not depreciable)	\$ 710,889	\$ -	\$ -	\$ 710,889
Buildings and Improvements	4,366,538	-	-	4,366,538
Furniture and Equipment	<u>1,430,813</u>	<u>199,631</u>	<u>226,822</u>	<u>1,403,622</u>
Total capital assets	<u>6,508,240</u>	<u>199,631</u>	<u>226,822</u>	<u>6,481,049</u>
Less accumulated depreciation:	<u>1,807,052</u>	<u>307,199</u>	<u>225,685</u>	<u>1,888,566</u>
Total depreciable assets, net of depreciation	<u>\$ 4,701,188</u>			<u>\$ 4,592,483</u>

Depreciation expense of \$307,199 was charged to governmental activities.

NOTE 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. As of June 30, 2011 this debt is fully repaid.

A schedule of changes in long-term debt for the year ended June 30, 2011 is as follows:

	Balance <u>July 1, 2010</u>	Prior Year <u>Adjustments</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>June 30, 2011</u>	Current <u>Portion</u>
Certificates of participation	\$ 275,000	\$ -	\$ -	\$ 275,000	\$ -	\$ -
Compensated absences	<u>372,609</u>	<u>(176,239)</u>	<u>114,985</u>	<u>88,804</u>	<u>222,551</u>	<u>-</u>
	<u>\$ 647,609</u>	<u>\$ (716,239)</u>	<u>\$ 114,985</u>	<u>\$ 363,804</u>	<u>\$ 22,551</u>	<u>\$ -</u>

NOTE 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.

San Mateo County Mosquito and Vector Control District
NOTES TO BASIC FINANCIAL STATEMENTS
 For the Year Ended June 30, 2011
 (Unaudited)

NOTE 6 - SELF-INSURANCE AND JOINT POWERS AGENCY (concluded)

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, 2010 (audited), was as follows:

<u>VCJPA</u>	
Total Assets	\$ 12,217,265
Total Liabilities	6,861,769
Net Assets	5,355,496
Total Revenues	3,652,080
Total Expenditures	3,722,105
Net Decrease in Fund Balance	(70,025)

The District's share of the VCJPA's Members Trust Fund and Property Contingency Fund balance at June 30, 2011, was \$37,765 and \$248,789, 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.

NOTE 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 District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011
(Unaudited)

NOTE 8 - DEFINED RETIREMENT PLAN

Plan Description

San Mateo County Employees' Retirement Association (SamCERA) is a cost-sharing multiple-employer, defined benefit pension plan that provides benefits for substantially all permanent employees of the County and the San Mateo County Mosquito and Vector Control District. SamCERA was founded in 1944 under the authority granted by Article XVI of the Constitution of the State of California and the County Employees' Retirement Law of 1937 (the 1937 Act). SamCERA is not subject to the provisions of the Employee Retirement Income Security Act of 1974.

Management of SamCERA is vested in the Board of Retirement consisting of nine members; and its operation is governed by the 1937 Act and the by-laws, procedures, and policies adopted by the Board of Retirement. As of June 30, 2011, the total number of plan participants was 10,582, of which 10,553 were County employees and 29 were Mosquito and Vector Control District employees. SamCERA issues a publicly available financial report that can be obtained by writing to the San Mateo County Employees' Retirement Association, 100 Marine Parkway, Suite 125, Redwood Shores, California 94065.

Benefit Provisions: SamCERA provides service retirement, disability, and death benefits to plan members and beneficiaries based on defined benefit formulas using final average compensation, years of service, and age factors to calculate benefits payable. SamCERA has four plans that cover members classified as general, safety, or probation, and provides annual cost-of-living adjustments upon retirement to members of Plans One, Two, and Four. The benefits of Plan Three are reduced by a portion of Social Security benefits received by the member. The 1937 Act vests the County Board with the authority to initiate benefits, while Government Code Section 31592.2 empowers the Board of Retirement to provide certain ad hoc benefits when the Section 31592 reserve exceeds 1% of assets.

General members in Plan One, Two, and Four may retire at any age after 30 years of service. Safety members and Probation members may retire at any age after 20 years of service. A member who leaves county service may withdraw his or her contributions, plus any accumulated interest. Members with five years of service, permanent part-time employees with five years of full-time service, or non-contributory members (Plan Three) with 10 years of service, may elect a deferred retirement when terminating their employment with the County.

Funding Policy

The 1937 Act established the basic obligations for employers and members to make contributions to the pension trust fund. The employer and member contribution rates are based on recommendations made by an independent actuary and adopted by the Board of Retirement. The participating employers are required by statutes to contribute the amounts necessary to fund the estimated benefits accruing to SamCERA members not otherwise funded by member contributions or expected investment earnings. Contribution rates are actuarially determined using the entry age normal method and consist of an amount for normal cost, the estimated amount necessary to finance benefits earned by members during the year, and an amount required to amortize the unfunded actuarial accrued liability (UAAL).

San Mateo County Mosquito and Vector Control District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011
(Unaudited)

NOTE 8 - DEFINED RETIREMENT PLAN (concluded)

Annual Pension Cost

For the fiscal year ended June 30, 2011, the County's annual pension cost was equal to the County's annual required contributions of \$150 million determined by the actuarial valuation as of June 30, 2010, using the entry age normal actuarial cost method. The actuarial assumptions included 3.5% annual inflation rate, 7.75% annual investment rate of return, and 5.2% average annual projected salary increase attributed to inflation of 4% and adjustment for merit and longevity of 1.2%. Beginning with the June 30, 2008 actuarial valuation, SamCERA converted to the 15-year layered amortization methodology. Under this method, the original UAAL is amortized over 15 years as of the valuation date. Future actuarial gains and losses are amortized over the new 15-year periods. The Mosquito and Vector Control District contributes a lower percentage of covered payroll than the County does, due to lower benefits provided to the Mosquito and Vector Control District employees. The average employer contribution rate was 32% of the covered payroll, and the average member contribution rate was 9.71%. The UAAL is being amortized as a level percentage of projected payroll over the new 15-year periods.

The District's total payroll for the fiscal year ended June 30, 2011, was \$2,187,542. 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 \$482,440 and \$101,717, respectively.

The table below presents three-year trend information:

<u>Fiscal Year</u> <u>Ended</u>	Annual Pension Cost <u>(APC)</u>	Percentage of APC <u>Contributed</u>
6/30/2009	\$ 208,147	100%
6/30/2010	229,678	100%
6/30/2011	482,440	100%

NOTE 9 - POST-EMPLOYMENT 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 was effective for the year ending June 30, 2010. The District has not adopted the provisions of this statement.

Plan Description

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

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, 2011, 7 employees received benefits at a cost to the District of \$31,130.

San Mateo County Mosquito and Vector Control District
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2011
(Unaudited)

NOTE 9 - POST-EMPLOYMENT HEALTH CARE BENEFITS (concluded)

In June of 2004, the Governmental Accounting Standards Board (GASB) issued statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which became effective for the District for the year ended June 30, 2010. This statement establishes standards for measurement, recognition, and display of other post-employment benefit expenses, related assets and liabilities, note disclosures and, if applicable, required supplementary information in the financial reports of state and local government employers. This statement no longer permits governmental employers to account for and disclose such benefits on a pay as you go basis, but rather requires them to be accounted for and disclosed on the accrual basis of accounting.

The District did not implement GASB Statement No. 45 during the year ended June 30, 2011, and is in the process of evaluating its impact and will implement the statement as soon as possible.

NOTE 10 - LOSS DUE TO EMPLOYEE FRAUD

In June 2011, the District began an investigation to determine the extent of employee theft committed against the District. The amount of theft attributed to the fiscal year ended was approximately \$340,581. The total amount of theft is estimated to be at least \$650,000. The District will be making a claim against its insurance policy to recover the amount lost.

San Mateo County Mosquito and Vector Control District
SCHEDULE OF GENERAL FUND EXPENDITURES

Schedule 1

Budget and Actual
 For the Year Ended June 30, 2011
 (Unaudited)

	General Fund			
	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ -	\$ -	\$ 1,581,340	\$ 1,581,340
Special mosquito control tax	-	-	458,635	458,635
Other taxes	-	-	200,237	200,237
Inspection services	-	-	284,448	284,448
Special benefit assessment	-	-	1,396,134	1,396,134
Investment earnings	-	-	46,491	46,491
Miscellaneous	-	-	161,334	161,334
Total revenues	-	-	4,128,619	4,128,619
Expenditures:				
Salaries and employee benefits	2,551,106	2,551,106	2,534,246	16,860
Services and supplies	1,071,095	1,071,095	1,101,432	(30,337)
Total expenditures	3,622,201	3,622,201	3,635,678	(13,477)
Excess (deficit) of revenues over (under) expenditures	\$ (3,622,201)	\$ (3,622,201)	492,941	\$ 4,115,142
Other financing sources (uses)				
Transfers in			65,008	
Transfers out			(12,296)	
Employee theft			(300,219)	
Total other financing sources (uses)			(247,507)	
Net change in fund balances			245,434	
Fund balances, beginning of period			4,394,875	
Fund balances, end of period			\$ 4,640,309	