

SAN MATEO COUNTY MOSQUITO
ABATEMENT DISTRICT

AUDIT REPORT
JUNE 30, 2007

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SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the San Mateo County Mosquito Abatement District (the "District"), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated September 18, 2007 on our consideration of San Mateo County Mosquito Abatement District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 are not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

September 18, 2007
Redwood City, California

Management's Discussion and Analysis

**SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2007**

This section of the San Mateo County Mosquito Abatement District's 2006/07 annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2007. This management discussion and analysis should be read in conjunction with the District's financial statements, including notes and supplementary information that immediately follow this section.

FINANCIAL HIGHLIGHTS

- Total net assets were \$7,660,147 as of June 30, 2007.
- Total assets of governmental activities were \$8,885,349. Cash and investments were \$4,762,730 and capital assets were \$3,981,637 of total net assets.
- General revenues accounted for \$3,622,519 or 87 percent of all revenues.
- The District had \$3,052,973 in program expenses; only \$533,633 of these expenses was offset by program specific charges for services.
- Total government-wide revenues for fiscal year 06-07 were \$4,156,151.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

The fund financial statements are composed of:

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

**SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2007**

The Statement of Net Assets and the Statement of Activities

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

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

REPORTING THE DISTRICTS MOST SIGNIFICANT FUNDS

Fund Financial Statement

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

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

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

**SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2007**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

Table 1: Net Assets

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>Change</u>	<u>Percentage Change</u>
Assets				
Current and Other Assets	\$ 4,903,712	\$ 4,299,252	\$ 604,460	14%
Capital Assets	3,981,637	3,708,470	273,167	7%
Total Assets	\$ 8,885,349	\$ 8,007,722	\$ 877,627	11%
Liabilities				
Long-Term Liabilities	\$ 1,040,000	\$ 1,275,000	\$ (235,000)	-18%
Other Liabilities	185,202	174,586	10,616	6%
Total Liabilities	\$ 1,225,202	\$ 1,449,586	\$ (224,384)	-15%
Net Assets				
Invested in Capital Assets, Net of Debt	\$ 2,941,637	\$ 2,433,470	\$ 508,167	21%
Restricted	231,259	230,313	946	0%
Unrestricted	4,487,251	3,894,353	592,898	15%
Total Net Assets	\$ 7,660,147	\$ 6,558,136	\$ 1,102,011	17%

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

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

In May 2007, the District started the acquisition of a piece of property in Redwood City that previously belonged to the Mosquito Abatement District. The purchase was finalized in July 2007.

The long term liabilities decreased by 18% because of the District's annual payment on the bonds used to finance the construction of the Administration/Lab facility in 2001. The District will continue to make payments on the bonds until 2011.

**SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2007**

Table 2: Changes in Net Asset

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>Change</u>	<u>Percentage Change</u>
Revenues				
Program Revenues:				
Charges for services	\$ 533,633	\$ 318,343	\$ 215,290	68%
General Revenues:				
Property taxes	1,391,365	1,298,390	92,975	7%
Special Mosquito Control Tax	441,143	440,552	591	0%
Other Taxes	131,298	140,940	(9,642)	-7%
Special Benefit Assessment	1,311,456	1,286,889	24,567	2%
Investment Earnings	223,144	120,188	102,956	86%
Miscellaneous Revenue	124,112	401,042	(276,930)	-69%
Total Revenues	4,156,151	4,006,344	149,807	4%
Program Expenses				
Mosquito Abatement Services	2,750,203	2,590,448	159,755	6%
Interest and Fiscal Charges	51,726	67,155	(15,429)	-23%
Depreciation expenses	252,211	201,526	50,685	25%
Total Expenses	3,054,140	2,859,129	195,011	7%
Increase in Net Assets	\$ 1,102,011	\$ 1,147,215	\$ (45,204)	-3%

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

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

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

**SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2007**

Table 3: Cost of Services

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Mosquito Abatement Services	\$ 3,001,246	\$ (2,467,613)	\$ 2,791,974	\$ (2,473,631)
Interest and Fiscal Charges	51,726	(51,726)	67,155	(67,155)
Total Government Activities	<u>\$ 3,052,972</u>	<u>\$ (2,519,339)</u>	<u>\$ 2,859,129</u>	<u>\$ (2,540,786)</u>

This table displays, by function, the total and net costs of services provided for the 2007 and 2006 fiscal years. The net cost of services represents the total cost less operating grants and contributions and for revenue received where a charge is made for services provided.

Contractual abatement services have accounted for an additional 7% increase over last year. Federal and State agencies, sewage treatment plants, cities, and private entities are requesting the District to provide additional mosquito surveillance and control operations to control the increased threat of West Nile virus. No agencies want to be held responsible for breeding mosquitoes, which have caused sickness or death by West Nile virus.

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

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

Mosquito control operations on Bair Island Ecological Reserve for the period July 06 – June 07, reached an all time low. The winter heavy rains never materialized to produce the heavy salt marsh mosquito populations. The District received payment from the California Fish and Game for prior abatement services.

**SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2007**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Table 4: District's Fund Balances

	Fund Balance <u>June 30, 2007</u>	Fund Balance <u>June 30, 2006</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 2,592,869	\$ 2,206,787	\$ 386,082	17%
Capital Projects	2,281,662	2,065,237	216,425	10%
Total	<u>\$ 4,874,531</u>	<u>\$ 4,272,024</u>	<u>\$ 602,507</u>	<u>14%</u>

As the District completed this year, our governmental funds reported a combined fund balance of \$4,874,531, which is \$602,507 increase from last year. The overall increase is due to the additional revenue generated from the benefit assessment in the newly annexed areas of San Mateo County and abatement service contracts.

General Fund Budgetary Highlights

The Governing Board adopted the District's 2006-2007 General Fund operating budget in June of 2006. As adopted, projected expenditures totaled \$2,977,804. The District budgeted revenues totaled \$3,257,085. In fiscal year 2006-2007, revenues were projected to exceed expenses by approximately \$279,281.

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

1. Staffing levels remained fairly stable in all departments to provide necessary support services for increased West Nile virus surveillance. The District was prepared for a 10.6 % increase in salaries and benefits for entire staff.
2. The pesticide budget was reduced by 25.85 % from the previous fiscal year. With the dry winter season, this amount was a sufficient estimate of what would be needed to control mosquitoes in the entire District boundaries and provide preventative treatments in the wake of West Nile virus.
3. The employer contributions to the District retirement account saw a 45.75% increase due to changes in contribution rates for the San Mateo County Employees Retirement Association.
4. The unemployment account increased by 61.29% from the previous year due to the increase of staffing levels in the past two years.

**SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2007**

5. Working in conjunction with the Coastal Conservancy and U.S. Fish and Wildlife on the control of invasive spartina cordgrass, the materials and equipment budgets were increased approximately 55.71% to accommodate the additional work. The program will continue for two more years, with the outcome benefiting the District with a reduction of mosquito breeding sources.
6. With the increase in the number of vehicles, the cost of maintenance of those vehicles should have rose considerably from the previous year but the District hired a full-time mechanic to address repairs onsite, rather than sending vehicles to repair facilities.

CAPITAL ASSETS

At June 30, 2007, the District had \$5,183,822, in capital assets with a net accumulated depreciation of \$1,202,185, including land, buildings and furniture and equipment. The District currently uses \$600 as its capitalization threshold.

1. The District completed construction on a new parking garage and fishpond building in July 2006. The final cost was \$465,044. It includes a carwash unit, a bathroom and locker room and parking bays for 6 vehicles.
2. The District purchased three new Ford Ranger trucks for use in the field and one Ford F-150 for the Foreman. The costs of the vehicles were \$93,668.
3. The District purchased an all terrain vehicle (ARGO) for pesticide dispersal in marshland at a cost of \$27,102.68. The cost includes a specialized tank sprayer, trailer and tracks. This brings the number of ARGO Avengers to four (4).
4. The Laboratory department purchased a new dissecting microscope camera at a cost of \$5,937. The camera supports insect taxonomy for classroom and presentation events.
5. The District started the acquisition of property in Redwood City. The parcel was originally owned by the District from 1951 - 1978.
6. Four new truck-mounted Ultra Low Volume (ULV) sprayers were purchased at a total cost of \$38,968. These truck-mounted fogging sprayers will be utilized in the event that we must do adulticiding for the prevention of West Nile virus by infected adult mosquitoes. Several other pieces of operational equipment were purchased to assist the field technicians with everyday work. These pieces included backpack sprayers (\$8,273), boat and motor (\$17,298), tools (\$9,125) and a fork lift (\$12,881).
7. Three new desktop computers and six new laptop computers were purchased for a cost of \$26,975. An upgrade to the network software had to be added at a cost of \$23,910.

**SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2007**

Table 5: Capital Assets

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>Change</u>	<u>Percentage Change</u>
Land	\$ 91,167	\$ 91,167	\$ -	0%
Construction in Progress	200,000	-	200,000	100%
Buildings and Improvements	3,548,494	3,510,534	37,960	1%
Furniture and Equipment	1,344,161	1,221,820	122,341	10%
Accumulated Depreciation	(1,202,185)	(1,115,051)	(87,134)	8%
Total Capital Assets	<u>\$ 3,981,637</u>	<u>\$ 3,708,470</u>	<u>\$ 273,167</u>	<u>7%</u>

DEBT ADMINISTRATION

Long Term Debt at Year End

The District issued certificates of participation in the amount of \$2,275,000 with interest rates ranging from 3.35 – 4.55%. Proceeds from the certificates are used for the construction of the new building. The District is committed to make principal and interest payments at June 30 as well as interest payments at December 31, pursuant to an agreement with BNY Western Trust Co. At June 30, 2007, the principal balance outstanding was \$1,040,000 with \$245,000 due within one year.

Factors bearing on the District's future

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

District residents and business owners pay a percentage of their property tax, from each parcel, for Local Government (District) to provide abatement services to their community. Since 1993, State Government has shifted a percentage of local property tax to pay for state funded education, through the Education Revenue Augmentation Fund (ERAF.). In 2004/2005 and 2005/2006, the District shifted \$239,591 and 262,794, respectively, of local revenue to the State. The District shifted \$275,974 of local revenue for ERAF in 2006/07.

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

With the emergence of West Nile virus, Districts throughout California have requested assistance from the State Government. In July 2006, Governor Schwarzenegger appropriated funding to

**SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2007**

supplement resources for local mosquito control efforts to mitigate the threat of West Nile virus transmission. Our District requested and received \$60,000. This money supplemented current funding and was specifically directed at purchasing biorational larvicide pesticides. The pesticides were directed for use in the newly annexed areas of the county to make sure we have a strong program for prevention of such a serious health threat. This amount may differ in subsequent years.

Contacting the District Financial Management

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

Basic Financial Statements

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

STATEMENT OF NET ASSETS
JUNE 30, 2007

ASSETS

Cash and investments	\$ 4,531,471
Investments held in trust	231,259
Inventory	140,982
Capital assets, net	<u>3,981,637</u>
 Total Assets	 <u><u>\$ 8,885,349</u></u>

LIABILITIES

Current Liabilities:	
Accrued liabilities	\$ 29,181
Long Term Liabilities:	
Due within one year:	
Certificate of participation	245,000
Due in more than one year:	
Compensated absences	156,021
Certificate of participation	<u>795,000</u>
 Total Liabilities	 <u><u>\$ 1,225,202</u></u>

NET ASSETS

Invested in capital assets, net related debt	\$ 2,941,637
Restricted for debt service	231,259
Unrestricted	<u>4,487,251</u>
 Total Net Assets	 <u><u>\$ 7,660,147</u></u>

See accompanying notes to financial statements.

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Expenses:	
Mosquito abatement:	
Personal services	\$ 1,724,578
Services and supplies	1,024,458
Depreciation	252,211
Interest expense	<u>51,726</u>
Total program expenses	<u>3,052,973</u>
Program revenues:	
Charges for services	<u>533,633</u>
Net program expense	<u>(2,519,340)</u>
General revenues:	
Property taxes	1,391,365
Special mosquito control tax	441,143
Other taxes	131,298
Special benefit assessment	1,311,456
Investment earnings	223,144
Miscellaneous revenue	124,112
Special Item:	
Loss on disposal of capital assets	<u>(1,168)</u>
Total general revenues and special item	<u>3,621,350</u>
Increase in net assets	1,102,010
Net assets - beginning of the year	<u>6,558,137</u>
Net assets - end of the year	<u>\$ 7,660,147</u>

See accompanying notes to financial statements.

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

**BALANCE SHEET
AND RECONCILIATION TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash in county treasury	\$ 2,261,474	\$ 2,050,403	\$ 4,311,877
Cash held in trust	-	231,259	231,259
Petty cash	200	-	200
Investment in VCJPA	219,394	-	219,394
Inventory	140,982	-	140,982
Total Assets	<u>\$ 2,622,050</u>	<u>\$ 2,281,662</u>	<u>\$ 4,903,712</u>
Liabilities and Fund Balances			
Liabilities:			
Accrued payroll	<u>\$ 29,181</u>	<u>\$ -</u>	<u>\$ 29,181</u>
Total Liabilities	<u>29,181</u>	<u>-</u>	<u>29,181</u>
Fund balances:			
Reserved for:			
Investment in VCJPA	219,394	-	219,394
Inventory	140,982	-	140,982
Unreserved:			
Designated for:			
Capital projects	-	2,281,662	2,281,662
Compensated absences	156,021	-	156,021
Undesignated	<u>2,076,472</u>	<u>-</u>	<u>2,076,472</u>
Total Fund Balances	<u>2,592,869</u>	<u>2,281,662</u>	<u>4,874,531</u>
Total Liabilities and Fund Balances	<u>\$ 2,622,050</u>	<u>\$ 2,281,662</u>	<u>\$ 4,903,712</u>
Total Fund Balances			\$ 4,874,531
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:			
Amounts reported for governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$5,183,822 and the accumulated depreciation is \$1,202,185.			
			3,981,637
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consists of:			
Certificated of participation			(1,040,000)
Accrued compensated absences			<u>(156,021)</u>
Net assets of governmental activities			<u>\$ 7,660,147</u>

See accompanying notes to financial statements.

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
AND RECONCILIATION TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	General Fund	Capital Projects Fund	Total Governmental Funds
REVENUES			
Property taxes	\$ 1,391,365	\$ -	\$ 1,391,365
Special mosquito control tax	441,143	-	441,143
Other taxes	131,298	-	131,298
Inspection services	533,633	-	533,633
Special benefit assessment	1,311,456	-	1,311,456
Investment earnings	145,166	77,978	223,144
Miscellaneous revenue	112,312	11,800	124,112
	<u>4,066,373</u>	<u>89,778</u>	<u>4,156,151</u>
Total revenues			
EXPENDITURES			
Current:			
Personal services	1,711,243	-	1,711,243
Services and supplies	966,385	2,395	968,780
Debt service:			
Principal	-	235,000	235,000
Interest	-	56,063	56,063
Capital outlay	2,663	579,895	582,558
	<u>2,680,291</u>	<u>873,353</u>	<u>3,553,644</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	<u>1,386,082</u>	<u>(783,575)</u>	<u>602,507</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	1,000,000	1,000,000
Transfers out	(1,000,000)	-	(1,000,000)
	<u>(1,000,000)</u>	<u>1,000,000</u>	<u>-</u>
Total other financing sources (uses)			
Change in fund balance	386,082	216,425	602,507
Fund balances - beginning	2,206,787	2,065,237	4,272,024
Fund balances - ending	<u>\$ 2,592,869</u>	<u>\$ 2,281,662</u>	<u>\$ 4,874,531</u>
Change in fund balance			\$ 602,507
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:			
Capital outlays are reported in governmental funds as expenditures. In the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense.			
Capital outlay (\$562,880) exceeded depreciation expense (\$252,211) by:			
			274,669
Governmental funds do not report loss on disposal of capital assets. However, in the government-wide statement of activities and changes in net assets, the cost to dispose of capital assets, net any proceeds, is accounted for as a special item.			
			(1,168)
The governmental funds report debt proceeds as another financing source, while repayment of debt principal is reported as an expenditure. The net effect of these differences in the treatment of long-term debt and related items is as follows:			
			235,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires the use of current financial resources. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.			
			4,337
In the statement of activities, compensated absences are measured by the amount earned during the year. In governmental funds, expenditures for those items are recognized when due.			
			(13,335)
Change in net assets of governmental activities			<u>\$ 1,102,010</u>

See accompanying notes to financial statements.

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2007

1. SIGNIFICANT ACCOUNTING POLICIES

A. The District

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

In the fiscal year ended June 30, 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.

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, 2007.

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2007

B. Basis of Presentation

Government-wide Financial Statements:

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

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

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

Fund Financial Statements:

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

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

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2007

C. Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions:

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

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

Deferred Revenue:

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

Expenses/Expenditures:

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

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS JUNE 30, 2007

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

D. Fund Accounting

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

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

E. Budget

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

F. Cash and Investments

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

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

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

G. Inventories

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

H. Capital Assets

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

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

I. Compensated Absences

All vacation and sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The District's accrued compensated absences were \$156,021 at June 30, 2007. In the fund financial statements, the District has designated this same amount of its fund balance.

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

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

J. Long-Term Obligations

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

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

K. Fund Balance Reserves and Designations

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

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

L. Net Assets

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

2. PROPERTY TAX LEVY, COLLECTION, AND MAXIMUM RATES

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

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

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

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

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

3. CASH AND INVESTMENTS

Cash and investments consisted of the following at June 30, 2007:

	<u>Carrying Amount</u>	<u>Investment Rating</u>
Petty Cash	\$ 200	NA
Cash in County Treasury	4,311,877	AA/V1+
Cash – Held in Trust	231,259	NA
Investment in VCJPA	<u>219,394</u>	NA
 Total Cash and Investments	 <u>\$ 4,762,730</u>	

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

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

4. CAPITAL ASSETS

Capital assets consisted of the following at June 30, 2007:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Land - not depreciable	\$ 91,167	\$ -	\$ -	\$ 91,167
Buildings and Improvements	3,630,852	37,960	-	3,668,812
Furniture and Equipment	1,101,502	288,920	(166,579)	1,223,843
Construction in progress	-	200,000	-	200,000
	<hr/>			
Total capital assets	4,823,521	526,880	(166,579)	5,183,822
	<hr/>			
Less accumulated depreciation for:				
Buildings and Improvements	405,587	100,698	-	506,285
Furniture and Equipment	709,464	151,513	(165,077)	695,900
	<hr/>			
Total accumulated depreciation	1,115,051	252,211	(165,077)	1,202,185
	<hr/>			
Total capital assets - net depreciation	\$ 3,708,470	\$ 274,669	\$ (1,502)	\$ 3,981,637
	<hr/> <hr/>			

Depreciation expense of \$252,211 was charged to governmental activities.

5. LONG TERM DEBT

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

The certificates mature through 2011 as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2008	245,000	46,193	291,193
2009	255,000	35,657	290,657
2010	265,000	24,437	289,437
2011	275,000	12,512	287,512
	<hr/>		
Totals	\$ 1,040,000	\$118,799	\$1,158,799
	<hr/> <hr/>		

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

A schedule of changes in long-term debt for the year ended June 30, 2007 is as follows:

	Balance July 1, 2006	Additions	Payments	Balance June 30, 2007	Current Portion
Certificate of participation	\$ 1,275,000	\$ -	\$ 235,000	\$ 1,040,000	\$ 245,000
Compensated absences	142,686	27,460	14,125	156,021	-
Total	\$ 1,417,686	\$ 27,460	\$ 249,125	\$ 1,196,021	\$ 245,000

6. INTERFUND TRANSFERS

Interfund Transfers:

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

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

7. SELF-INSURANCE AND JOINT POWERS AGENCY

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

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

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

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

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007

The financial position and results of operations for the VCJPA as of June 30, 2007 (unaudited), was as follows:

	<u>VCJPA</u>
Total Assets	\$ 11,370,052
Total Liabilities	5,641,672
Fund Balance	5,728,380
Total Revenues	3,339,953
Total Expenditures	3,540,140
Net Decrease in Fund Balance	(200,187)

The District's share of the VCJPA's Members Trust Fund and Property Contingency Fund balance at June 30, 2007, was \$181,812 and \$37,582, respectively. The balance includes interest earning and may be withdrawn upon leaving the plan with a sixty-day notice. At termination of the joint powers agreement and after all claims have been settled, any excess or deficit will be divided among the Districts in accordance with its governing documents.

8. DEFERRED COMPENSATION

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

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

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

9. DEFINED RETIREMENT CONTRIBUTION PLAN

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

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

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

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

The District's total payroll for the fiscal year ended June 30, 2007, was \$1,279,811. The District's contributions were calculated using the base salary amount of \$1,186,239. Both the District and the covered employees made the required contributions totaling \$199,377 and \$63,744, respectively.

10. SUBSEQUENT EVENT

On May 25, 2007, the District entered into an agreement to purchase real property at a total cost of \$611,760. The District opened escrow and made a deposit of \$200,000. The purchase price was paid in full on July 2, 2007, at close of escrow.

SUPPLEMENTARY INFORMATION

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ACTUAL (GAAP) VS. BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:				
Property taxes:				
Current, secured	\$ 1,183,159	\$ 1,183,159	\$ 1,260,042	\$ 76,883
Current, unsecured	86,812	86,812	76,546	(10,266)
Prior, secured	-	-	6,510	6,510
Prior, unsecured	-	-	(4,946)	(4,946)
Homeowners' property tax relief	11,244	11,244	11,410	166
Miscellaneous	440,044	440,044	441,143	1,099
Benefit assessment	1,335,826	1,335,826	1,311,456	(24,370)
Miscellaneous	-	-	197,373	197,373
Other revenues:				
Interest	35,000	35,000	27,132	(7,868)
Charges for services	150,000	150,000	533,633	383,633
Miscellaneous	15,000	15,000	206,074	191,074
 Total Revenues	 <u>3,257,085</u>	 <u>3,257,085</u>	 <u>4,066,373</u>	 <u>809,288</u>
EXPENDITURES:				
Operating expenditures:				
Salaries and benefits	1,657,707	1,837,290	1,711,244	126,046
Materials, supplies and services	1,013,705	1,137,664	966,384	171,280
Capital outlay:	2,850	2,850	2,663	187
 Total Expenditures	 <u>2,674,262</u>	 <u>2,977,804</u>	 <u>2,680,291</u>	 <u>297,513</u>
OTHER FINANCING SOURCES:				
Interfund Transfers	-	-	(1,000,000)	(1,000,000)
 Net change in fund balance	 <u>\$ 582,823</u>	 <u>\$ 279,281</u>	 386,082	 <u>\$ 511,775</u>
 Fund balance as of June 30, 2006			 <u>2,206,787</u>	
 Fund balance as of June 30, 2007			 <u>\$ 2,592,869</u>	

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

**SCHEDULE OF GENERAL FUND EXPENDITURES
ACTUAL (NON-GAAP) VS. BUDGET
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
SALARIES AND EMPLOYEE BENEFITS:			
Full time regular positions	\$ 1,266,000	\$ 1,200,364	\$ 65,636
Part time regular positions	107,340	79,448	27,892
Retirement plan	212,800	199,377	13,423
Dental insurance	26,200	22,704	3,496
Health insurance	167,000	159,037	7,963
Vision insurance plan	3,150	2,883	267
Medicare insurance	19,000	17,297	1,703
Long-term disability	14,100	12,889	1,211
Social Security	6,700	4,926	1,774
Unemployment insurance	15,000	12,319	2,681
Total Salaries and Employee Benefits	<u>1,837,290</u>	<u>1,711,244</u>	<u>126,046</u>
SERVICES AND SUPPLIES:			
Agricultural supplies	218,000	189,026	28,974
Clothing	26,950	21,208	5,742
Electricity and gas	20,000	19,025	975
Gas, oil and grease	56,500	50,764	5,736
General maintenance	9,950	8,132	1,818
Household	3,300	2,669	631
Liability insurance	57,305	57,976	(671)
Worker's Compensation	54,108	54,108	-
Medical and laboratory	4,900	2,443	2,457
Meetings and conferences	78,600	51,507	27,093
Memberships	14,706	14,706	-
Miscellaneous repair	61,200	46,862	14,338
Office	29,695	20,485	9,210
Service and consultation	187,150	158,014	29,136
Special	272,500	233,452	39,048
Telephone	17,500	14,788	2,712
Tools and instruments	20,300	17,291	3,009
Water and sewer disposal	5,000	3,907	1,093
Equipment	2,850	2,663	187
Total Services and Supplies	<u>1,140,514</u>	<u>969,026</u>	<u>171,488</u>
TOTAL BUDGETED EXPENDITURES	<u>\$ 2,977,804</u>	<u>2,680,270</u>	<u>\$ 297,534</u>
VCJPA - Miscellaneous Other Expense		<u>21</u>	
TOTAL EXPENDITURES		<u>\$ 2,680,291</u>	

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

**SCHEDULE OF SUB-FUND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>SMCMAD</u>	<u>NORTH WEST COUNTY</u>	<u>TOTAL GENERAL FUND</u>
SALARIES AND EMPLOYEE BENEFITS:			
Full time regular positions	\$ 720,218	\$ 480,146	\$ 1,200,364
Part time regular positions	47,669	31,779	79,448
Retirement plan	119,626	79,751	199,377
Dental insurance	13,622	9,082	22,704
Health insurance	95,422	63,615	159,037
Vision insurance plan	1,730	1,153	2,883
Medicare insurance	10,378	6,919	17,297
Long-term disability	7,733	5,156	12,889
Social Security	2,956	1,970	4,926
Unemployment insurance	7,391	4,928	12,319
Total Salaries and Employee Benefits	<u>1,026,745</u>	<u>684,499</u>	<u>1,711,244</u>
SERVICES AND SUPPLIES:			
Agricultural supplies	113,416	75,610	189,026
Clothing	12,725	8,483	21,208
Electricity and gas	11,415	7,610	19,025
Gas, oil and grease	30,458	20,306	50,764
General maintenance	4,879	3,253	8,132
Household	1,601	1,068	2,669
Liability insurance	34,786	23,190	57,976
Worker's Compensation	32,465	21,643	54,108
Medical and laboratory	1,466	977	2,443
Meetings and conferences	30,904	20,603	51,507
Memberships	8,824	5,882	14,706
Miscellaneous repair	28,117	18,745	46,862
Office	12,291	8,194	20,485
Service and consultation	94,808	63,206	158,014
Special	140,071	93,381	233,452
Telephone	8,873	5,915	14,788
Tools and instruments	10,375	6,916	17,291
Water and sewer disposal	2,344	1,563	3,907
Equipment	1,598	1,065	2,663
Total Services and Supplies	<u>581,416</u>	<u>387,610</u>	<u>969,026</u>
TOTAL BUDGETED EXPENDITURES	1,608,161	1,072,109	2,680,270
VCJPA - Miscellaneous Other Expense	21	-	21
TOTAL EXPENDITURES	<u>\$ 1,608,182</u>	<u>\$ 1,072,109</u>	<u>\$ 2,680,291</u>

Continued

Schedule 2

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

**SCHEDULE OF SUB-FUND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>SMCMAD</u>	<u>NORTH WEST COUNTY</u>	<u>TOTAL CAPITAL PROJECTS FUND</u>
LONG TERM DEBT:			
Repayment of loan	\$ 174,638	\$ 116,425	\$ 291,063
Legal and administration	<u>1,437</u>	<u>958</u>	<u>2,395</u>
Total Long Term Debt	<u>176,075</u>	<u>117,383</u>	<u>293,458</u>
SERVICES AND SUPPLIES:			
Miscellaneous repair	8,385	5,590	13,975
Structure/Improvements	149,041	99,360	248,401
Equipment	<u>190,511</u>	<u>127,008</u>	<u>317,519</u>
Total Services and Supplies	<u>347,937</u>	<u>231,958</u>	<u>579,895</u>
TOTAL EXPENDITURES	<u>\$ 524,012</u>	<u>\$ 349,341</u>	<u>\$ 873,353</u>

Concluded

Schedule 2

SAN MATEO COUNTY MOSQUITO ABATEMENT DISTRICT

**MEMBERS OF THE BOARD OF TRUSTEES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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

DISTRICT MANAGER

Robert Gay

CLERK OF THE BOARD

Karen Williams

Schedule 3

Other Independent Auditor's Report

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

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

We have audited the basic financial statements of San Mateo County Mosquito Abatement District (the "District") as of and for the year ended June 30, 2007, and have issued our report thereon dated September 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered San Mateo County Mosquito Abatement District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

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

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

Compliance and Other Matters

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

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

September 18, 2007
Redwood City, California