

**ST. TAMMANY PARISH MOSQUITO  
ABATEMENT DISTRICT**

*Annual Financial Report*

As of and for the Year Ended

December 31, 2017

**KEITH J.ROVIRA**  
*Certified Public Accountant*

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners of the  
St. Tammany Parish Mosquito Abatement District  
A Component Unit of the St. Tammany Parish  
St. Tammany Parish, Louisiana

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the St. Tammany Parish Mosquito Abatement District, a component unit of St. Tammany Parish, as of and for the years ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this include the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the district's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the district's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective net position of the St. Tammany Parish Mosquito Abatement District, as of December 31, 2017, and the respective changes in net position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's on the information because the limited procedures do not provide me with sufficient response to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance evidence to express an opinion or provide any assurance.

My audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the St. Tammany Parish Mosquito Abatement District's basic financial statements. The supplementary information schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information schedules listed in the table of contents are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain

additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued a report dated May 1, 2018, on my consideration of the St. Tammany Parish Mosquito Abatement District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the district's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith J. Rovira". The signature is written in a cursive, flowing style.

Keith J. Rovira  
Certified Public Accountant  
Metairie, Louisiana

May 1, 2018

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**  
St. Tammany Parish, Louisiana  
Management's Discussion and Analysis  
As of and for the Year Ended December 31, 2017

The Management's Discussion and Analysis (MD&A) of the St. Tammany Mosquito Abatement District's financial performance presents a narrative overview and analysis of the district's financial activities for the year ended December 31, 2017. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the additional information contained in the basic financial statements. The MD&A is an element of the new reporting model adopted by the Government Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued June, 1999. Certain comparative information between the current year and prior year has been presented in the MD&A.

#### FINANCIAL HIGHLIGHTS

The minimum requirements for financial reporting on the St. Tammany Parish Mosquito Abatement District that was established by GASB No. 34 are divided into the following sections:

- (a) Management's Discussion and Analysis
- (b) Basic Financial Statements
- (c) Required Supplementary Information (other than MD&A)

#### Basic Financial Statements:

The basic financial statements present information for the St. Tammany Parish Mosquito Abatement District as a whole, in a format designed to make the statements easier for the reader to understand. The financial statements in this section are divided into the two following types:

(1) Government-Wide Financial Statements, which include a Statement of Net Position and a Statement of Activities. These statements present financial information for all activities of the St. Tammany Parish Mosquito Abatement District from an economic resources measurement focus using the accrual basis of accounting and providing both short-term and long-term information of Revenues, Expenses, and Changes in Fund Balance for the General Fund (a governmental fund). These financial statements present information on the individual fund of the district's office allowing for more detail. The current financial resources measurement focus and the accrual basis of accounting used to prepare these statements are dependent on the fund type. The district's only governmental fund is the General Fund. The statements in this section represent the short-term financing of general government.

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**  
**St. Tammany Parish, Louisiana**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended December 31, 2017**

**FINANCIAL ANALYSIS OF THE ENTITY**

**Statement of Net Position**  
**As of December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Current assets	\$26,245,590	\$26,386,902
Noncurrent assets - capital assets	<u>7,953,032</u>	<u>6,757,095</u>
<b>Total Assets</b>	<b><u>34,198,622</u></b>	<b><u>33,143,997</u></b>
Deferred outflows of resources	<u>775,358</u>	<u>849,014</u>
Current liabilities	334,494	304,897
Noncurrent liabilities - long-term liabilities	<u>743,276</u>	<u>865,804</u>
<b>Total Liabilities</b>	<b><u>1,077,770</u></b>	<b><u>1,170,701</u></b>
Deferred inflows of resources	<u>96,296</u>	<u>121,535</u>
<b>Net Position:</b>		
Invested in capital assets, net of debt	7,953,032	6,727,095
Unrestricted	<u>25,846,882</u>	<u>25,973,680</u>
<b>Total Net Position</b>	<b><u>\$33,799,914</u></b>	<b><u>\$32,700,775</u></b>

The Total Net Position of the district increased \$1,099,139, or 3.4%, from the prior year. This was mainly due to an increase in ad valorem tax revenue compared to the prior year.

The district does not have any "restricted" net position. It does have "unrestricted" net position, and those are net positions that do not have any limitations on what these amounts may be used for.

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**  
**St. Tammany Parish, Louisiana**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended December 31, 2017**

**Statement of Revenues, Expenditures and  
Changes in Fund Balance  
For the Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Revenues	\$8,984,833	\$9,350,375
Expenditures	<u>(9,246,076)</u>	<u>(6,747,844)</u>
Net Change in Fund Balance	<u>\$(261,243)</u>	<u>\$2,602,531</u>

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

The district had \$11,684,765 invested in a broad range of capital assets, including buildings and other related improvements, machinery and equipment, aircraft and related equipment, office furniture and equipment and vehicles as of December 31, 2017. This amount represents the original purchase price of capital assets on hand at year-end. The table below lists the capital assets by type, net of accumulated depreciation:

<u>Capital Assets</u>	
Buildings and improvements	\$5,832,393
Machinery and equipment	377,438
Aircraft and related equipment	4,633,862
Office furniture and equipment	110,407
Vehicles	<u>730,665</u>
Subtotal	11,684,765
Less: Accumulated depreciation	<u>(3,731,733)</u>
Total net carrying value	<u>\$7,953,032</u>

## **ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**

St. Tammany Parish, Louisiana

Management's Discussion and Analysis

As of and for the Year Ended December 31, 2017

### Debt and Long-Term Liabilities

The district did not have any debt outstanding at year end. However, it did have noncurrent liabilities totaling \$743,276, of which \$210,177 was accrued annual leave outstanding at year-end, and \$533,099 was net pension liability (GASB 68).

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (2018)**

The district considered the following factors and indicators when setting up the 2018 annual operating budget. These factors and indicators include: (1) all costs associated with fighting and detecting the Zika Virus, the West Nile Virus and other mosquito-borne emerging diseases in St. Tammany Parish, especially increased chemical and labor costs due to increased seasonal mosquito populations; (2) any potential change in ad valorem tax revenues; (3) increased spraying as needed for all areas covered by the district in its fight against mosquito existence and breeding; the mosquito district's coverage area includes the entire parish; (4) other operating costs of the office in the process of providing services to the public. Barring any unforeseen events, the district expects next year's available revenues will be sufficient to cover its expenses.

### **CONTACTING THE MOSQUITO DISTRICT**

This financial report is designed to provide the citizens, taxpayers, investors and creditors with a general overview of the district's finances, and to show accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact St. Tammany Parish Mosquito Abatement District at 62512 Airport Road, Building #23, Slidell, LA 70460, or by telephone at 985-643-5050.

**BASIC FINANCIAL STATEMENTS**  
**(GOVERNMENT-WIDE FINANCIAL STATEMENTS)**

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**  
**St. Tammany Parish, Louisiana**  
**Statement of Net Position**  
**December 31, 2017**

**ASSETS**

## Current Assets:

Cash (Note C)	\$13,062,098
Investments (Note D)	2,244,865
Revenue receivables, net (Notes A.6 & E)	8,073,127
Inventory (Note A.7)	2,779,941
Prepaid insurance (Note A.8)	<u>85,559</u>

Total Current Assets 26,245,590

## Noncurrent Assets:

Capital assets (net of depreciation) (Notes A.9 & F) 7,953,032

Total Noncurrent Assets 7,953,032

TOTAL ASSETS 34,198,622

Deferred Outflows of Resources 775,358

**LIABILITIES**

## Current Liabilities:

Accounts payable	44,402
Accrued salaries	33,241
Deductions from ad valorem taxes for retirement system	<u>256,851</u>

Total Current Liabilities 334,494

## Noncurrent Liabilities:

Accrued annual leave payable (Notes A.10 & H) 210,177

Net pension liability 533,099

Total Noncurrent Liabilities 743,276

TOTAL LIABILITIES 1,077,770

Deferred Inflows of Resources 96,296

**NET POSITION**

Invested in capital assets, net of related debt 7,953,032

Unrestricted 25,846,882

TOTAL NET POSITION \$33,799,914

The accompanying notes are an integral part of this statement.

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**

St. Tammany Parish, Louisiana

Statement of Activities

For the Year Ended December 31, 2017

**EXPENSES**

Governmental Activities - Public health and safety:

Personnel services and related benefits	\$2,930,841
Changes in deferred outflows, deferred inflows, net pension liability and pension expense (GASB 68)	115,005
Chemicals	2,541,135
Materials, operating and service expense	1,370,445
Depreciation expense	488,213
Capital outlay	202,325
Deduction from ad valorem taxes for retirement system	<u>256,851</u>

Total Expenses	<u>7,904,815</u>
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**GENERAL REVENUES**

Ad valorem taxes (net)	8,519,132
State revenue sharing	167,792
Interest earnings	215,189
Nonemployer pension contributions	19,121
Other	<u>82,720</u>

Total General Revenues	<u>9,003,954</u>
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Change in Net Position	1,099,139
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Net Position at beginning of year	<u>32,700,775</u>
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Net Position at end of year	<u>\$33,799,914</u>
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The accompanying notes are an integral part of this statement.

**BASIC FINANCIAL STATEMENTS  
(FUND FINANCIAL STATEMENTS)**

**FUND DESCRIPTION - MAJOR FUND**

**General Fund**

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**  
**St. Tammany Parish, Louisiana**  
**Balance Sheet**  
**General Fund - Governmental Fund**  
**December 31, 2017**

<b>ASSETS</b>	
Cash	\$13,062,098
Investments	2,244,865
Revenue receivables, net	8,073,127
Inventory	2,779,941
Prepaid insurance	<u>85,559</u>
<b>TOTAL ASSETS</b>	<b><u>\$26,245,590</u></b>
 <b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts payable	\$ 44,402
Accrued salaries	33,241
Accrued annual leave	210,177
Deductions from ad valorem taxes for retirement system	<u>256,851</u>
<b>Total Liabilities</b>	<b><u>544,671</u></b>
 <b>Fund balance:</b>	
Nonspendable	2,865,500
Restricted	-
Committed	-
Assigned	-
Unassigned	<u>22,835,419</u>
<b>Total Fund Balance</b>	<b><u>25,700,919</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b><u>\$26,245,590</u></b>

The accompanying notes are an integral part of this statement.

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**  
**St. Tammany Parish, Louisiana**  
**Reconciliation of the Governmental Fund Balance Sheet**  
**to the Statement of Net Position**  
**December 31, 2017**

Total Fund Balance - Governmental Fund	\$25,700,919
 Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the Governmental Funds Balance Sheet	7,953,032
 General long-term debt of governmental activities is not payable from current resources and, therefore, not reported in the funds. This debt is as follows:	
Deferred outflows of resources	\$775,358
Net pension liability	(533,099)
Deferred inflows of resources	(96,296)
	145,963
 Total Net Position - Governmental Activities	 \$33,799,914

The accompanying notes are an integral part of this statement.

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**

St. Tammany Parish, Louisiana

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund - Governmental Fund

For the Year Ended December 31, 2017

**REVENUES**

Ad valorem taxes (net)	\$8,519,132
State revenue sharing	167,792
Interest earnings	215,189
Other	<u>82,720</u>
 Total Revenues	 <u>8,984,833</u>

**EXPENDITURES**

Salaries and related taxes	2,234,096
Employer's retirement contributions	206,104
Medicare & social security - employer's portion	54,225
Other employee benefits	436,416
Information technology	150,497
Insurance	545,462
Materials and supplies:	
Chemicals	2,801,464
Aerial supplies	119,516
Field and laboratory	9,718
Research supplies	17,546
Office	15,657
Public information	12,882
Utilities and telephone	35,734
Repairs and maintenance	202,506
Travel	45,029
Gas, oil and grease	97,822
Professional services	118,076
Capital outlay	1,886,475
Deductions from ad valorem taxes for retirement system	<u>256,851</u>
 Total Expenditures	 <u>9,246,076</u>

(Deficiency) of Revenues over Expenditures	(261,243)
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Fund Balance at Beginning of Year	<u>25,962,162</u>
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Fund Balance at End of Year	<u>\$25,700,919</u>
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The accompanying notes are an integral part of this statement.

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**  
 St. Tammany Parish, Louisiana  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balance to the Statement of Activities  
 For the Year Ended December 31, 2017

(Deficiency) of Revenues over Expenditures - Governmental Funds	\$(261,243)
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Amounts reported for governmental activities  
in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,195,937
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Accrued annual leave and insurance expense are  
included in the Statement of Activities:

Changes in:	
Accrued annual leave	(90,334)
Prepaid insurance	13,896

Changes in the components of GASB 68	<u>240,883</u>
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Change in Net Position - Governmental Activities	<u>\$1,099,139</u>
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The accompanying notes are an integral part of this statement.

**NOTES TO THE FINANCIAL STATEMENTS**

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**  
St. Tammany Parish, Louisiana  
Notes to the Financial Statements  
December 31, 2017

## INTRODUCTION

The St. Tammany Parish Mosquito Abatement District was created by the St. Tammany Parish Council as provided by Louisiana Revised Statute 33:7721-7728. The district is governed by a board of five commissioners who are appointed by the St. Tammany Parish Council. These members are authorized to operate facilities for the abatement, control, eradication and study of mosquitos and other arthropods of public health importance, and all activities incidental thereto. As a result of the October 16, 1993 referendum, taxpayers of Wards 3, 4, 7 and a portion of 2 elected to be included in the service area of the district beginning on January 1, 1994. As a result of the October, 2001 referendum, taxpayers of Wards 5, 6, 10 and the remaining portion of 2 elected to be included in the service area of the district beginning on January 1, 2002. Therefore, the district now services all of St. Tammany Parish.

To fulfill these responsibilities, the mosquito abatement district has established procedures for collecting and analyzing mosquito population data and determining the most appropriate control methods. The district uses only environmentally sound and scientifically proven methods supported by professional entomologists nationwide. The mosquito abatement district has also developed special programs, including the disease vector surveillance program designed to detect the presence of encephalitis and dengue fever viral activity and insecticide resistance studies. In addition, the district also performs tests for the presence of West Nile Virus in the parish.

Board members serve without compensation.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. **Basis of Presentation**

The accompanying basic financial statements of the St. Tammany Parish Mosquito Abatement District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The St. Tammany Parish Mosquito Abatement District has adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. In this regard, the district will be treated as a

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**

St. Tammany Parish, Louisiana  
Notes to the Financial Statements  
December 31, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

governmental- type activity for financial reporting purposes in this audit. The minimum requirements for the mosquito district established by GASB Statement No. 34 are divided into the following sections: (a) Management's Discussion and Analysis, (b) Basic Financial Statements, and (c) Required Supplementary Information (other than MD&A).

The accompanying financial statements of the St. Tammany Parish Mosquito Abatement District present information only as to the transactions of the programs of the district as authorized by Louisiana statutes and administrative regulations. Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

**Revenue Recognition**

Revenues are recognized using the full accrual basis of accounting; therefore, revenues, including ad valorem taxes, state revenue sharing, intergovernmental revenue, interest and other revenues of the district, are recognized in the accounting period in which they are earned and become measurable.

Ad valorem taxes are assessed on a calendar year basis, become due on November 15 of each year, and become delinquent on December 31. They are recognized as revenue in the year the taxes are assessed.

**Expense Recognition**

Expenses are also recognized on the accrual basis; therefore, expenses, including salaries, operating services and expenses, materials and services, intergovernmental expenses, etc. are recognized in the period incurred, if measurable.

**2. Reporting Entity**

As the governing authority of the parish, for reporting purposes, the St. Tammany Parish Council is the financial reporting entity for St. Tammany Parish.

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**

St. Tammany Parish, Louisiana  
Notes to the Financial Statements  
December 31, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The financial reporting entity consists of (a) the primary government, St. Tammany Parish Council, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Tammany Parish Council for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
  - a. the ability of the council to impose its will on that organization, and/or
  - b. the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the council.
2. Organizations for which the council does not appoint a voting majority, but are fiscally dependent on the council.
3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Even though the district operates independently of the council, the exclusion from the council's financial statements would cause the council's financial statements to be misleading or incomplete. Also, the council's ability to impose its will on the district is indicated by the ability to remove appointed members of the district's board at will. Because of these reasons, the district is determined to be a component unit of the St. Tammany Parish Council.

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**

St. Tammany Parish, Louisiana  
Notes to the Financial Statements  
December 31, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONTINUED)****3. Fund Accounting**

The district uses a fund (General Fund) to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

The district's General Fund is classified as a governmental fund. Governmental funds account for general activities, including the collection and disbursement of specific or legally restricted monies and the acquisition of capital assets.

The General Fund, as provided by Louisiana Revised Statute 47:1906, accounts for the operations of the mosquito district. Ad valorem tax revenue authorized by Act 292 of 1985 is accounted for in this fund. General operating expenditures are paid from this fund.

**4. Budgets**

The St. Tammany Parish Mosquito Abatement District adopted an annual budget for its General Fund. Budget practices included public notice of the proposed budget, public inspection of the proposed budget, and public hearings on the budget.

A summary of the proposed original budget and notice of the planned public hearing was published in the official journal and made available for public inspection at the district headquarters located at 62512 Airport Road, Building 23 on October 27, 2016. The public hearing on the proposed original budget was held on November 15, 2016. The proposed original budget was legally adopted by resolution on November 15, 2016.

The original budget was not amended.

All appropriations included in the budget lapse at year end, and any accounts payable outstanding at year end are included in the next year's budget with funds appropriated in that year to finance them. Monthly comparisons

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**

St. Tammany Parish, Louisiana  
Notes to the Financial Statements  
December 31, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

between budget and actual amounts are made and reviewed by the board of commissioners. The board reserves all authority to amend the budget. The original budget was not amended.

The mosquito abatement district's policy is to prepare its budget using the cash basis of accounting, which recognizes revenues as they are received rather than when they are earned, and expenditures as the cash is disbursed rather than when the expenditure is incurred. This basis of accounting is consistent with the basis used for record keeping purposes. The accompanying statements present comparisons of the legally adopted budget with actual data on the cash basis. Since accounting principles for purposes of developing data on a cash basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis differences in the excess of revenues (receipts) over expenditures (disbursements) for the district's main operating fund (General Fund) for the year ended December 31, 2017, is presented below:

(Deficiency) of receipts over disbursements disbursements (budgetary basis)	\$ (838,818)
Receipt Accruals - Increase/(Decrease):	
Revenue receivables (net)	236,191
Inventory	447,754
Prepaid insurance	13,896
Bond amortization	(335)
Disbursement Accruals - (Increase)/Decrease:	
Accounts payable and accrued salaries	(19,916)
Accrued annual leave payable	(90,334)
Deductions from ad valorem taxes	<u>(9,681)</u>
(Deficiency) of revenues over expenditures (GAAP basis)	\$ <u>(261,243)</u>

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**

St. Tammany Parish, Louisiana  
Notes to the Financial Statements  
December 31, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

5. **Cash Deposits and Investments**  
Cash includes amounts in demand deposit accounts and an interest bearing money market account. Under state law, the district may deposit funds in demand deposit accounts, interest bearing demand deposits, money market accounts and time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. It may also invest in the Louisiana Management Pool, Inc. fund. Under state law, the district may invest in United States bonds, treasury notes or certificates.  
  
Investments are recorded on the financial statements at market value at December 31, 2017.
6. **Receivables**  
There was a 2% allowance for doubtful accounts set up based on past experience of the differences between the amount of ad valorem taxes received and accrued as recorded on the financial statements.
7. **Inventories**  
Inventories are valued at cost. Inventories consist of chemical, field, shop and laboratory supplies, vehicle and aviation fuel. The cost is recorded as an expenditure at the time individual inventory items are purchased. Inventories at year end are equally offset by fund balance reserves. Inventory at December 31, 2017, was determined using the FIFO method (first-in, first-out).
8. **Prepaid Insurance**  
The district made payments of insurance premiums for coverage that will benefit a period of time after December 31, 2017. This portion of the payments made are listed as prepaid insurance on the Statement of Net Position.
9. **Capital Assets**  
Capital assets are recorded at either historical cost or estimated historical cost and are depreciated over their estimated useful lives (excluding salvage value). Any donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful life is management's estimate of how

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**

St. Tammany Parish, Louisiana  
Notes to the Financial Statements  
December 31, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

to meet service demands. Straight-linedepreciation is usedbased on the followingestimated useful lives: buildings and improvements - 40 years; machinery and equipment - 5 and 10 years; aircraft and related equipment - 10 and 15years; office furniture and equipment - 5 years; vehicles - 5years.

The board of commissioners of the mosquito district adopted a policy to depreciate all of the district's equipment, vehicles, buildingsand improvements thathave a purchase price of \$1,000 and more.

**10. AnnualandSickLeave**

The mosquitoabatement district's employees earn annual (vacation) leave days at varying rates according to their years of service. Upon termination from employment, employees are compensated for all unused or accrued annual leave at their current rate of pay. The cost of unused or accrued annual leave privileges, computed in accordance with GASB Codification SectionC60, is recognized as a current year expenditure and corresponding long-term liability in the General Fund when leave is earned.

Full-time, permanent employees are credited 10 days of "regular" sick leave on a biweekly accrual rate basis. Unused regular sick leave may becarried over to the following year with a maximum of 30 regular sick leave days being accrued. In addition, 10 days of "extended" sick leave is granted to each employee on January 1st of each year, and is to be used only when the employee is either hospitalized or under a doctor's care for 5 days or more. Unused extended sick leave cannot be carried over to the following year. Upon termination from employment, employees are not paid for any unused sick leave earned.

**11. Long-term Obligations**

The only long-term obligations were for accumulated annual leave benefits for employees.

**12. Encumbrances**

Encumbrance accounting is not utilized by the district due to the nature of operations and the ability of management to monitor budgeted expenditures on a timely basis.

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**

St. Tammany Parish, Louisiana  
Notes to the Financial Statements  
December 31, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

13. Use of Estimates  
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
14. Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position  
In some instances, the GASB requires a governmental body to delay recognition of decreases in net position as expenditures until a further period. In other instances, governments are required to delay recognition of increases in net position as revenues until a further period. In these circumstances, deferred outflows and inflows of resources result from the delayed recognition of expenditures or revenues, respectively.
15. Equity Classifications  
In the government-wide statements, equity is classified as net position and displayed in three components:
- a. Invested in capital assets, net of related debt: consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
  - b. Restricted net position: consists of assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be placed on the use either by (1) external groups, such as creditors, granters, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
  - c. Unrestricted net position: all other assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted net position," or deferred outflows of resources, liabilities, and deferred inflows of resources.

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**

St. Tammany Parish, Louisiana  
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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

In the fund financial statements, governmental fund equity is classified as fund balance. The mosquito district has adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. As such, fund balances of the governmental funds are classified as follows:

**Nonspendable:** amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

**Restricted:** amounts that can be spent for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, granters, contributors, or the laws or regulations of other governments.

**Committed:** amounts that can be used only for specific purposes determined by a formal action of the mosquito district board. The board is the highest level of decision making authority for the mosquito district. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the board.

**Assigned:** amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. Under the mosquito district's adopted policy, only the board may assign amounts for specific purposes.

**Unassigned:** all other spendable amounts.

	<u>General Fund</u>
Nonspendable:	
Inventory	\$2,779,941
Prepaid insurance	85,559
Restricted:	-
Committed:	-
Assigned:	-
Unassigned:	<u>22,835,419</u>
<b>Total</b>	<b><u>\$25,700,919</u></b>

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**

St. Tammany Parish, Louisiana  
Notes to the Financial Statements  
December 31, 2017

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the mosquito district considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the mosquito district considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the board has provided otherwise in its commitment or assignment actions.

**NOTE B - LEVIED TAXES**

The mosquito abatement district was authorized to levy up to 5.55 mills in ad valorem taxes for the year; however, during the year, the district's board passed a resolution to roll back its millage to 4.05 mills, and received that amount in ad valorem taxes for the year ended December 31, 2017.

The following are the 10 largest principal taxpayers for the district:

<u>Taxpayer</u>	<u>Type of Business</u>	2017 <u>Assessed Valuation</u>	% of Total <u>Assessed Valuation</u>
Central La. Electric Corp.	Power	\$49,843,670	2.49%
Florida Marine Transporters	Transporters	16,699,250	.84
AT&T Southeast	Telephone	12,551,030	.63
Assoc. Wholesale Grocers	Grocer	11,865,840	.59
Chevron USA, Inc.	Oil	11,427,970	.57
Atmos Energy	Utility	10,306,090	.52
Parkway Pipeline	Pipeline	9,614,250	.48
Tri States NGL	Pipeline	9,121,700	.46
J.P. Morgan Chase	Bank	8,478,555	.42
Washington/St. Tammany Electric Co-op.	Power	<u>7,182,870</u>	<u>.36</u>
<b>Total</b>		<b><u>\$147,091,225</u></b>	<b><u>7.36%</u></b>

The total assessed valuation for all taxpayers at December 31, 2017, was \$1,998,467,315. This figure was used in calculating the percentage of the "2017 assessed valuation of each of the ten largest taxpayers" to the "assessed valuation for all taxpayers."

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**

St. Tammany Parish, Louisiana  
Notes to the Financial Statements  
December 31, 2017

**NOTE C - CASH DEPOSITS**

At December 31, 2017, the carrying amounts (book balances) of all cash deposits of the district are listed as follows:

Petty cash	\$ 75
Cash in checking accounts	12,657,545
Cash in money market account	<u>404,478</u>
 Total	 <u>\$13,062,098</u>

These deposits are stated at market value. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2017, the district had \$13,183,623 in cash deposits (collected bank balances). These deposits were secured from risk by \$500,000 of federal depository insurance and \$13,357,769 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the district that the fiscal agent has failed to pay deposited funds upon demand.

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**

St. Tammany Parish, Louisiana  
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December 31, 2017

**NOTE D - INVESTMENTS**

At December 31, 2017, the mosquito abatement district held the following types of investments:

<u>Type of Investments</u>	<u>Maturity Date</u>	<u>Market Value</u>	<u>Carrying Amount</u>
Louisiana Asset Mgmt. Pool	Average of 48 days	\$2,169,827	\$2,169,827
Govmt. Nat'l Mortg, Assoc.	9/15/2039	45,002	48,715
Govmt. Nat'l Mortg, Assoc.	12/15/2032	22,169	19,230
Govmt. Nat'l Mortg, Assoc.	6/15/2032	<u>1,952</u>	<u>7,093</u>
Total		<u>\$2,238,950</u>	<u>\$2,244,865</u>

The investments listed above, except for the Louisiana Asset Management Pool (LAMP) account, are held in the name of the fiscal agent bank.

**Credit Risk:**

Credit risk is defined as the risk that an issuer or other counterparty to an investment holding will not fulfill its obligations. Louisiana state law allows investments in GNMA's and the LAMP fund.

**Concentration of Credit Risk:**

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of the district's investment in any one single issuer or issuer. The district does not specifically place a limit on the amount that it may invest in any one investment issue, however it does abide by state law with its investment practices.

**Custodial Credit Risk:**

Custodial credit risk is defined as the risk that, in the event of the failure of the investment broker holding the district's investments, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

On the broker's books, the district's investments are segregated from the broker's assets while being held in trust in the name of the district.

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**

St. Tammany Parish, Louisiana  
Notes to the Financial Statements  
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**NOTE D - INVESTMENTS (CONTINUED)****Interest Rate Risk:**

Interest rate risk is defined as the risk that changes in the interest rate will adversely affect the fair value of an investment. The investments in GNMA's carry potential exposure to fair value losses in the event of an increasing interest rate environment. However, if these investments are held until maturity and not sold before their due dates, then no loss would be incurred.

**Louisiana Asset Management Pool (LAMP)**

LAMP is administered by Louisiana Asset Management Pool, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955.

GASB Statement No. 40, Deposit and Investment Risk Disclosure, requires disclosure of credit risk, custodial credit risk, the concentration of credit risk, interest rate risk and foreign currency risk for all public entity investments.

LAMP is a 2a7-like investment pool. The following facts are relevant for 2a7-like investment pools:

Credit risk - LAMP is rated AAAM by Standard & Poor's.

Custodial credit risk - LAMP participants' investments in the pool are evidenced by shares in the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

Concentration of credit risk - Pooled investments are excluded from the 5% disclosure requirement.

Interest rate risk - LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**

St. Tammany Parish, Louisiana  
 Notes to the Financial Statements  
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**NOTE D - INVESTMENTS (CONTINUED)**

own interest rate risk disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days.

Foreign currency risk - not applicable to 2a7-like pools.

The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the Securities and Exchange Commission as an investment company.

If you have any questions, please feel free to call the LAMP administrative office at 1-800-249-5267.

**NOTE E – REVENUE RECEIVABLES**

The following is a summary of revenue receivables at December 31, 2017:

Ad valorem taxes	\$8,123,740
Less: Estimated uncollectible (2%)	<u>(162,474)</u>
Net ad valorem taxes	7,961,266
State revenue sharing	<u>111,861</u>
Total	<u>\$8,073,127</u>

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**

St. Tammany Parish, Louisiana  
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**NOTE F - CAPITAL ASSETS**

The capital assets used in the governmental-type activities are included on the Statement of Net Position of the district and are capitalized at historical cost. Depreciation of all exhaustible capital assets used by the district is charged as an expense against operations. Capital assets are reported net of accumulated depreciation on the Statement of Net Position. Depreciation expense for financial reporting purposes is computed using the straight-line method over the useful lives of the capital assets and is reported in the Statement of Activities.

A summary of changes in capital assets and accumulated depreciation during the year is listed as follows:

	<u>Balance</u> <u>12/31/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/17</u>
<b><u>Capital Assets</u></b>				
Buildings and improvements	\$5,832,393	-	-	\$5,832,393
Machinery and equipment	457,267	\$16,217	\$96,046	377,438
Aircraft and related equipment	3,097,653	1,536,209	-	4,633,862
Office furniture and equipment	20,564	89,843	-	110,407
Vehicles	<u>713,571</u>	<u>41,881</u>	<u>24,787</u>	<u>730,665</u>
<b>Totals</b>	<b><u>\$10,121,448</u></b>	<b><u>\$1,684,150</u></b>	<b><u>\$120,833</u></b>	<b><u>\$11,684,765</u></b>
<b><u>Less: Accumulated Depreciation</u></b>				
Buildings and improvements	\$1,287,685	\$145,810	-	\$1,433,495
Machinery and equipment	456,073	14,841	\$96,046	374,868
Aircraft and related equipment	1,054,828	237,500	-	1,292,328
Office furniture and equipment	15,786	20,456	-	36,242
Vehicles	<u>549,981</u>	<u>69,606</u>	<u>24,787</u>	<u>594,800</u>
<b>Totals</b>	<b><u>\$3,364,353</u></b>	<b><u>\$488,213</u></b>	<b><u>\$120,833</u></b>	<b><u>\$3,731,733</u></b>

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**

St. Tammany Parish, Louisiana  
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December 31, 2017

**NOTE G - PENSION PLAN/GASB 68**

The district's employees are members of the Parochial Employees Retirement System of Louisiana (System), a cost sharing, multiple-employer, defined benefit pension plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and separate benefit provisions. The district's employees are members of Plan A.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Parochial Employees Retirement System of Louisiana and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the Fund. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Plan Description:** The System was established and provided for by R.S.11:1901-2025 of the Louisiana Revised Statutes (LRS). The System provides retirement benefits to employees of taxing districts of a parish or any branch or section of a parish within the State which does not have their own retirement system and which elects to become members of the System.

**Eligibility requirements:** All permanent parish government employees (except those employed by Orleans, Lafourche, and East Baton Rouge Parishes) who work at least 28 hours a week shall become members on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate. As of January 1997, elected officials, except coroners, justices of the peace, and parish presidents may no longer join the System.

For employees hired prior to January 1, 2007:

1. Any age with thirty (30) or more years of creditable service.
2. Age 55 with twenty-five (25) years of creditable service.
3. Age 60 with a minimum of ten (10) years of creditable service.
4. Age 65 with a minimum of seven (7) years of creditable service.

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**

St. Tammany Parish, Louisiana  
Notes to the Financial Statements  
December 31, 2017

**NOTE G - PENSION PLAN/GASB 68 (CONTINUED)**

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service
2. Age 62 with 10 years of service
3. Age 67 with 7 years of service

Generally, the monthly amount of the retirement allowance of any member of Plan A shall consist of an amount equal to three Percent of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions as outlined in the statutes, the benefits are limited to specified amounts.

Survivor benefits: Upon the death of any member of Plan A with five (5) or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children as outlined in the statutes. Any member of Plan A, who *is* eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit as outlined in the statutes.

DROP benefits: Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the System. DROP is an option for that member who is eligible for normal retirement.

In lieu of terminating employment and accepting a service retirement, any member of Plan A who is eligible to retire may elect to participate in DROP in which they are enrolled for three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund or roll over the fund to an Individual Retirement Account. Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**

St. Tammany Parish, Louisiana  
Notes to the Financial Statements  
December 31, 2017

**NOTE G - PENSION PLAN/GASB 68 (CONTINUED)**

For individuals who become eligible to participate in DROP on or after January 1, 2004, all amounts which remain credited to the individuals subaccount after termination in the Plan will be placed in liquid asset money market investments at the discretion of the board of trustees. These subaccounts may be credited with interest based on money market rates of return, or at the option of the System, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of this Plan must agree that the benefits payable to the participant are not the obligations of the state or the System, and that any returns and other rights of the Plan are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

**Disability Benefits:** For Plan A, a member shall be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007 and has at least five years of creditable service or if hired after January 1, 2007, has seven years of creditable service, and is not eligible for normal retirement and has been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or three percent multiplied by years of service assuming continued service to age sixty.

**Cost of living increases:** The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age sixty-five equal to 2% of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later). Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older (RS 11:1937). Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

**Employer contributions:** According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2016, the actuarially determined contribution rate was 10.52% of member's compensation for Plan A. However, the actual rate for the fiscal year ending December 31, 2016 was 13.0% for Plan A.

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**

St. Tammany Parish, Louisiana  
Notes to the Financial Statements  
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**NOTE G - PENSION PLAN/GASB 68 (CONTINUED)**

According to state statute, the System also receives one-fourth of one percent of ad valorem taxes collected within respective parishes, except for Orleans and East Baton Rouge parishes. The System also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan Bin proportion to the member's compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

Non-employer contributions are recognized as revenue in the amount of \$19,121, and excluded from pension expense for the year ended December 31, 2017.

Employer allocations: The schedule of employer allocations reports the required projected employer contributions, in addition to the employer allocation percentage. The required projected employer contributions are used to determine the proportionate relationship of each employer to all employers of the System.

The employer's proportion was determined on a basis that is consistent with the manner in which contributions to the pension plan are determined. The allocation percentages were used in calculating each employer's proportionate share of pension amounts. The allocation method used in determining each employer's proportion was based on the employer's contributions to the plan during the fiscal year ended December 31, 2016, as compared to the total of all employers' contributions received by the plan during the fiscal year ended December 31, 2016.

Pension liabilities, pension expense, deferred outflows of resources, and deferred inflows of resources related to pensions: At December 31, 2017, the district reported a liability of \$533,099 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of December 31, 2016, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The district's proportion of the Net Pension Liability was based on a projection of the district's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2016, the district's proportion was 0.258847%.

For the year ended December 31, 2017, the district recognized pension expense of \$315,433.

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**  
 St. Tammany Parish, Louisiana  
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 December 31, 2017

NOTE G - PENSION PLAN/GASB 68 (CONTINUED)

At December 31, 2017, the district reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experiences	-	\$93,287
Net differences between projected and actual earnings on pension plan investments	\$413,704	-
Changes of assumptions	101,212	-
Change in proportion and differences between employer contributions and proportionate share of contributions	113	3,009
Employer contributions subsequent to the measurement date	<u>260,329</u>	<u>-</u>
	<u>\$775,358</u>	<u>\$96,296</u>

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**  
 St. Tammany Parish, Louisiana  
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 December 31, 2017

**NOTE G - PENSION PLAN/GASB 68 (CONTINUED)**

Deferred outflows of resources of \$775,358, will be recognized as a reduction of the Net Pension Liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year <u>Ended</u>	
2017	\$155,649
2018	\$165,843
2019	\$108,599
2020	\$(11,178)

**Contributions – proportionate share:** Differences between contributions remitted to the System and the employer’s proportionate share are recognized in pension expense/(benefit) using the straight line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with a pension through the pension plan. The resulting deferred inflow/outflow and amortization is not reflected in the schedule of employer amounts due to differences that could arise between contributions reported by the System and contributions reported by the participating employer.

**Actuarial assumptions:** The net pension liability was measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees’ past periods of service, less the amount of the pension plan’s fiduciary net position.

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2004 through December 31, 2009. The data was then assigned credibility weighting and combined with a standards table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System’s liabilities.

Annuity values calculated based on this mortality were compared to those produced by using a setback of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**  
St. Tammany Parish, Louisiana  
Notes to the Financial Statements  
December 31, 2017

**NOTE G - PENSION PLAN/GASB 68 (CONTINUED)**

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2016, are as follows:

Valuation Date: December 31, 2016

Actuarial Cost Method: Plan A - Entry Age Normal

Investment Rate of Return: 7.00%, net of investment expense, including inflation

Expected Remaining Service lives: 4 years

Projected Salary Increases: Plan A - 5.25% (2.75% Merit/2.50% Inflation)

Cost of Living Adjustments: The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increase not yet authorized by the Board of Trustees.

Mortality: RP-2000 Employee Sex Distinct Table was selected for employees. RP-2000 Healthy Annuitant Sex Distinct Table was selected for annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants.

Discount rate: The discount rate used to measure the total pension liability was 7.00% for Plan A. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contributions rates and contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**  
 St. Tammany Parish, Louisiana  
 Notes to the Financial Statements  
 December 31, 2017

**NOTE G - PENSION PLAN/GASB 68 (CONTINUED)**

Sensitivity of the employer's proportionate share of the net pension liability to changes in the discount rate: The following presents the net pension liability of the participating employers calculated using the discount rate of 7.00%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>Changes in Discount Rate</u>		
	1.00% Decrease <u>6.00%</u>	Current Discount Rate <u>7.00%</u>	1.00% Increase <u>8.00%</u>
Employer's proportionate share of the net pension liability	\$1,594,713	\$533,099	\$(364,528)

Change in net pension liability: The changes in the net pension liability for the year ended December 31, 2016, were recognized in the current reporting period except as follows:

- a. Differences between expected and actual experience: Differences between expected and actual experience with regard to economic or demographic factors in the measurement of the total pension liability were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The difference between expected and actual resulted in a deferred inflow of resources in the amount of \$93,287.
- b. Net differences between projected and actual investment earnings: Differences between projected and actual investment earnings on pension plan investments were recognized in pension expense using the straight-line amortization method over a closed five-year period. The difference between projected and actual investment earnings resulted in a deferred outflow of resources in the amount of \$413,704.

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**  
St. Tammany Parish, Louisiana  
Notes to the Financial Statements  
December 31, 2017

**NOTE G - PENSION PLAN/GASB 68 (CONTINUED)**

- c. **Changes in assumptions:** The changes of assumptions about future economic or demographic factors were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan. The changes in assumptions resulted in deferred outflow of resources in the amount of \$101,212.
  
- d. **Change in proportion:** Changes in the employer's proportionate shares of the collective net pension liability and collected deferred outflows of resources and deferred inflows of resources since the prior measurement date were recognized in employer's pension expense/(benefit) using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided pensions through the pension plan. The change in proportion resulted in \$113 of deferred outflow of resources and \$3,009 of deferred inflow of resources.

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**  
 St. Tammany Parish, Louisiana  
 Notes to the Financial Statements  
 December 31, 2017

**NOTE H - ACCRUED ANNUAL LEAVE**

Employees of the mosquito district have accumulated and vested amounts of employee leave benefits, which are computed in accordance with governmental accounting standards. This amount is recorded in the Statement of Net Position as a noncurrent liability.

The following is a summary of accrued annual leave during the year:

Balance at December 31, 2016	\$119,843
Additions	227,862
Deductions	<u>(137,528)</u>
Balance at December 31, 2017	<u>\$210,177</u>

**NOTE I - OPERATING LEASES**

Administrative Building

Beginning on January 22, 2007, and ending on January 22, 2107, the district entered into a 100-year operating lease with the City of Slidell comprising approximately 155,945 square feet of land at the Slidell Airport. The district's new facility and administrative building and new airplane hangar rest on this site at 62512 Airport Road in the City of Slidell. In the current year, the district paid the City an annual rental amount of \$20,631 in compliance with the terms of that lease.

There are no other operating or capital leases at December 31, 2017.

**NOTE J - GROUP INSURANCE BENEFITS**

The district provides certain continuing group health, dental and life insurance benefits for its full-time employees. It pays 100% of the health insurance premiums for its employees, their spouses and dependents. The district also pays ½ the cost of the cost of its employees dental and life insurance premiums. The district's portion of the cost is recognized as an expenditure when paid. The district's total cost of providing these benefits for its eligible employees for the current year was \$431,213.

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**

St. Tammany Parish, Louisiana  
Notes to the Financial Statements  
December 31, 2017

**NOTE J - GROUP INSURANCE BENEFITS (CONTINUED)**

The district does not pay for any post-employment healthcare benefits, and no liability or expense should be recorded in the financial statements in accordance with Governmental Accounting Standards Board Statement 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions.

**NOTE K - LITIGATION AND CLAIMS**

The district is not required to record any legal liability on its financial statements as of December 31, 2017.

**NOTE L - DEFERRED COMPENSATION PLAN**

Certain employees of the district participate in the district's deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 by making employee contributions into their individual participant accounts for each payroll.

The district does not participate in the plan in any other way except to act as a payroll agent by withholding the proper amount of employee contributions, previously decided on by each participating employee, and then remitting that amount to the plan's administrator for investing. The district does not make any employer contributions to the plan.

Complete plan information is included in the plan document, which is available by contacting the St. Tammany Parish Mosquito Abatement District at 62512 Airport Road, Building #23, Slidell, LA 70460, or by telephone at 985-643-5050.

**NOTE M - RISK MANAGEMENT**

The mosquito district is exposed to risks of loss in the areas of general and auto liability and workers' compensation. Those risks are handled by purchasing commercial insurance. There have been no significant reductions in insurance coverage during the current year, nor have there been any settlements which have exceeded the insurance coverages maintained for the past three years.

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**  
St. Tammany Parish, Louisiana  
Notes to the Financial Statements  
December 31, 2017

**NOTE N – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 1, 2018, the date which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION (RSI)**

**ST. TAMMANY PARISH MOSQUITO ABATEMENTDISTRICT**

St. Tammany Parish, Louisiana

**Required Supplementary Information Budgetary Comparison Schedule****Statement of Receipts, Disbursements and Changes in Cash Balance -****Budget (Cash Basis) and Actual General Fund - Governmental Fund****For the Year Ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	Final Budget
				Positive
				<u>(Negative)</u>
<b>RECEIPTS</b>				
Ad valorem taxes (net)	\$7,455,716	\$7,455,716	\$8,038,609	\$582,893
State revenue sharing	160,000	160,000	164,954	4,954
Interest earnings	190,000	190,000	215,523	25,523
Other revenue	<u>-</u>	<u>-</u>	<u>82,720</u>	<u>82,720</u>
Total Receipts	<u>7,805,716</u>	<u>7,805,716</u>	<u>8,501,806</u>	<u>696,090</u>
<b>DISBURSEMENTS</b>				
Salaries and related expenditures	2,310,735	2,310,735	2,140,240	170,495
Employer's retirement contributions & payroll taxes	284,000	284,000	260,330	23,670
Other employee benefits	499,417	499,417	436,341	63,076
Information technology	76,400	76,400	147,493	(71,093)
Office supplies	18,305	18,305	16,186	2,119
Insurance	558,465	558,465	559,358	(893)
Utilities and telephone	48,500	48,500	34,192	14,308
Travel	47,000	47,000	44,478	2,522
Professional services	87,900	87,900	118,857	(30,957)
Public information	16,871	16,871	12,882	3,899
Materials and supplies:				
Chemicals	3,702,912	3,702,912	3,228,075	(201,163)
Field and laboratory	16,205	16,205	9,644	6,561
Research supplies	20,425	20,425	17,546	2,879
Aerial supplies	15,000	15,000	119,516	(104,516)
Gas, oil and grease	198,700	198,700	96,687	102,013
Repairs and maintenance	580,335	580,335	203,005	377,330
Capital outlay	<u>1,567,690</u>	<u>1,567,690</u>	<u>1,895,794</u>	<u>(328,104)</u>
Total Disbursements	<u>9,553,770</u>	<u>9,553,770</u>	<u>9,340,624</u>	<u>213,146</u>

(Continued)

The accompanying notes are an integral part of this statement.

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**  
**St. Tammany Parish, Louisiana**  
**Required Supplementary Information - Budgetary Comparison Schedule**  
**Statement of Receipts, Disbursements and Changes in Cash Balance -**  
**Budget (Cash Basis) and Actual General Fund - Governmental Fund**  
**(Continued)**  
**For the Year Ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>DISBURSEMENTS</b>				
Excess (Deficiency) of				
Receipts over				
Disbursements	\$(1,748,054)	\$(1,748,054)	\$(838,818)	\$909,236
Cash and Investment				
Balances at				
Beginning of Year	<u>16,149,268</u>	<u>16,149,268</u>	<u>16,149,268</u>	<u>-</u>
Cash and Investment				
Balances at				
End of Year	<u>\$14,401,214</u>	<u>\$14,401,214</u>	<u>\$15,310,450</u>	<u>\$909,236</u>

The accompanying notes are an integral part of this statement.

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**  
 St. Tammany Parish, Louisiana  
 Schedule of Employer's Share of Net Pension Liability  
 For the Year Ended December 31, 2017

<u>Year Ended Dec. 31.</u>	<u>Employer Proportion of the Net Pension Liability (Asset)</u>	<u>Employer proportionate Share of the Net Pension Liability (Asset)</u>	<u>Employer's Covered Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a % of its Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a % of the Total Pension Liability</u>
2015	0.260371%	\$71,188	\$1,375,241	5.18%	99.15%
2016	0.283389%	\$745,961	\$1,839,600	40.55%	92.23%
2017	0.258847%	\$533,099	\$1,484,659	35.91%	94.15%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**  
 St. Tammany Parish, Louisiana  
 Schedule of Employer Contributions  
 For the Year Ended December 31, 2017

<u>Year Ended Dec. 31,</u>	<u>Contractually Required Contribution</u>	Contributions in Relation to <u>Contractual Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer Covered Employee Payroll</u>	Contributions as % of <u>Covered Employee Payroll</u>
2015	\$199,410	\$199,410	-	\$1,375,241	14.5%
2016	\$247,089	\$247,089	-	\$1,839,600	13.4%
2017	\$206,104	\$206,104	-	\$1,484,659	13.8%

This schedule is intended to show information of 10 years. Additional years will be displayed as they become available.

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**

St. Tammany Parish, Louisiana

Notes to the Required Supplementary Information

For the Year Ended December 31, 2017

**(1) Budgets**

The district adopted a budget as required by Louisiana Revised Statute 39:1301-1316, for the year ending December 31, 2017.

**(2) Pension Plan**

Changes of Assumptions - Changes of assumptions about future economic or demographic factors or of other inputs were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan.

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**  
 St. Tammany Parish, Louisiana  
 Schedule of Compensation, Benefits and Other Payments to Agency Heads  
 Required Supplementary Information (Continued)  
 For the Year Ended December 31, 2017

The Director of the St. Tammany Parish Mosquito Abatement District is considered to be the "agency head" as mentioned in Act 706 of the 2014 Regular Louisiana Legislative Session.

Victoria G. Taylor, Director

Gross salary	\$151,375
Dues - gratis lifetime membership and paid	130
Per Diem	400
Registration fees - gratis lifetime registration and paid	365
Housing	1,125
Meals - board meetings	149
Travel	<u>717</u>
	<u>\$154,261</u>

**INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS**

**KEITH J. ROVIRA**  
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNEMENT AUDITING STANDARDS***

Board of Commissioners of the  
St. Tammany Parish Mosquito Abatement District  
A Component Unit of the St. Tammany Parish Council  
St. Tammany Parish, Louisiana

I have audited, 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, the financial statements of the St. Tammany Parish Mosquito Abatement District, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the St. Tammany Parish Mosquito Abatement District's basic financial statements and have issued my report thereon dated May 1, 2018.

***Internal Control over Financial Reporting***

In planning and performing my audit of the financial statements, I considered the St. Tammany Parish Mosquito Abatement District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the St. Tammany Parish Mosquito Abatement District's internal control. Accordingly, I do not express an opinion on the effectiveness of the St. Tammany Parish Mosquito Abatement District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### ***Compliance and Other Matters***

As a part of obtaining reasonable assurance about whether the St. Tammany Parish Mosquito Abatement District's financial statements are free of material misstatement, I 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 the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the mosquito district's internal control or compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the mosquito district's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



Keith J. Rovira  
Certified Public Accountant  
Metairie, Louisiana

May 1, 2018

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**  
St. Tammany Parish, Louisiana  
Schedule of Prior and Current Year Audit Findings and  
Management's Corrective Action Plan  
For the Year Ended December 31, 2017

I have audited the accompanying basic financial statements of the St. Tammany Parish Mosquito Abatement District as of and for the year ended December 31, 2017, and have issued my report thereon dated May 1, 2018. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of December 31, 2017, resulted in an unmodified opinion.

I. Prior Year Audit Finding:

Compliance

There were no findings on compliance that were required to be reported.

Internal Control over Financial Reporting

Finding No. 1 - Inadequate Segregation of Accounting Functions:

Due to the small number of employees in the accounting department, the district did not have adequate segregation of duties and functions with the accounting system.

Management's Corrective Action Plan

The district has determined that it is not cost effective to achieve complete segregation of duties and functions within the accounting department. No plan is considered necessary at this time.

Management Letter

No management letter was issued for the prior year.

**ST. TAMMANY PARISH MOSQUITO ABATEMENT DISTRICT**  
Schedule of Prior and Current Year Audit Findings and  
Management's Corrective Action Plan (Continued)  
For the Year Ended December 31, 2016

II. Current Year Audit Finding:

Compliance

There were no findings on compliance that were required to be reported.

Internal Control over Financial Reporting

There were no material weaknesses in internal control and no other deficiencies which required disclosure in this audit report.

Management Letter

No management letter was issued for the current year.

***Note: As of the June 25, 2018, the Louisiana Legislative Auditor (LLA) had not finalized its own separate Advisory Services Procedural Report on the St. Tammany Parish Mosquito Abatement District's internal controls for the year ended December 31, 2017. A complete copy of this report will be able to be found on the LLA's website at [www.la.gov](http://www.la.gov) once it is released to the public by the LLA.***