

DURHAM MOSQUITO ABATEMENT DISTRICT

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITORS' REPORTS**

Years Ended June 30, 2017 and 2018

DURHAM MOSQUITO ABATEMENT DISTRICT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Durham Mosquito Abatement District
Durham, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of Durham Mosquito Abatement District (the District), as of and for the years ended June 30, 2017 and 2018, 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 includes 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.

Auditors' Responsibility

Our responsibility is to express opinions 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 the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Minimum Audit Requirements for California Special Districts*, issued by the Controller of the State of California. 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 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinions.

INDEPENDENT AUDITORS' REPORT – Continued

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of Durham Mosquito Abatement District as of June 30, 2017 and 2018, and the respective changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America required that the budgetary comparison information, schedule of the district's proportionate share of the net pension liability, and schedule of district's contributions, as 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 Governmental 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. We 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 responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2019, on our consideration of the District's internal control over financial reporting and on 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 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.

Tittle & Company, LLP

Chico, California
February 13, 2019

DURHAM MOSQUITO ABATEMENT DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
June 30, 2017

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Cash in county treasury	\$ 171,261	\$ -	\$ 171,261
Interest receivable	462	-	462
Inventories	7,612	-	7,612
Capital assets, net of accumulated depreciation	-	23,619	23,619
Total Assets	<u>179,335</u>	<u>23,619</u>	<u>202,954</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	-	16,092	16,092
LIABILITIES			
Accounts payable and accrued expenses	5,134	-	5,134
Long-term liabilities:			
Due within one year	-	-	-
Due in more than one year	-	28,239	28,239
Total Liabilities	<u>5,134</u>	<u>28,239</u>	<u>33,373</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	-	2,726	2,726
FUND BALANCE/NET POSITION			
Fund Balance			
Nonspendable - inventories	7,612	(7,612)	-
Unassigned	166,589	(166,589)	-
Total Fund Balance	<u>174,201</u>	<u>(174,201)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 179,335</u>		
Net Position			
Net investment in capital assets		23,619	23,619
Unrestricted		159,328	159,328
Total Net Position		<u>\$ 182,947</u>	<u>\$ 182,947</u>

The accompanying notes are an integral part of these financial statements.

DURHAM MOSQUITO ABATEMENT DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
Year Ended June 30, 2017

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES			
Salaries and benefits	\$ 89,195	\$ (4,101)	\$ 85,094
Services and supplies	49,501	-	49,501
Capital outlay	10,591	(10,591)	-
Depreciation	-	3,884	3,884
Total Expenditures/Expenses	<u>149,287</u>	<u>(10,808)</u>	<u>138,479</u>
GENERAL REVENUES			
Current secured property taxes	88,789	-	88,789
Current supplemental property taxes	1,155	-	1,155
Current unsecured property taxes	4,594	-	4,594
Prior unsecured property taxes	104	-	104
Property assessments	48,129	-	48,129
Interest income	1,610	-	1,610
Aid from other governmental agencies:			
State:			
Homeowners' property tax relief	1,266	-	1,266
Miscellaneous revenue	60	-	60
Unrealized loss on investments	(1,511)	-	(1,511)
Total General Revenues	<u>144,196</u>	<u>-</u>	<u>144,196</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,091)</u>	<u>10,808</u>	<u>5,717</u>
Fund Balance/Net Position - July 1, 2016, as Previously Reported	179,292	17,973	197,265
Prior Period Adjustment	-	(20,035)	(20,035)
Fund Balance/Net Position - July 1, 2016, as Restated	<u>179,292</u>	<u>(2,062)</u>	<u>177,230</u>
Fund Balance/Net Position - June 30, 2017	<u>\$ 174,201</u>	<u>\$ 8,746</u>	<u>\$ 182,947</u>

The accompanying notes are an integral part of these financial statements.

DURHAM MOSQUITO ABATEMENT DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
June 30, 2018

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash in county treasury	\$ 195,392	\$ -	\$ 195,392
Interest receivable	727	-	727
Inventories	7,612	-	7,612
Capital assets, net of accumulated depreciation	-	19,735	19,735
Total Assets	203,731	19,735	223,466
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	-	26,384	26,384
LIABILITIES			
Accounts payable and accrued expenses	9,538	-	9,538
Long-term liabilities:			
Due within one year	-	-	-
Due in more than one year	-	34,345	34,345
Total Liabilities	9,538	34,345	43,883
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	-	1,671	1,671
FUND BALANCE/NET POSITION			
Fund Balance			
Nonspendable - inventories	7,612	(7,612)	-
Unassigned	186,581	(186,581)	-
Total Fund Balance	194,193	(194,193)	-
Total Liabilities and Fund Balance	\$ 203,731		
Net Position			
Net investment in capital assets		19,735	19,735
Unrestricted		184,561	184,561
Total Net Position		\$ 204,296	\$ 204,296

The accompanying notes are an integral part of these financial statements.

DURHAM MOSQUITO ABATEMENT DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
Year Ended June 30, 2018

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES			
Salaries and benefits	\$ 89,157	\$ (5,241)	\$ 83,916
Services and supplies	42,909	-	42,909
Depreciation	-	3,884	3,884
Total Expenditures/Expenses	<u>132,066</u>	<u>(1,357)</u>	<u>130,709</u>
GENERAL REVENUES			
Current secured property taxes	96,108	-	96,108
Current supplemental property taxes	1,344	-	1,344
Current unsecured property taxes	4,600	-	4,600
Prior unsecured property taxes	160	-	160
Property assessment	48,253	-	48,253
Interest income	2,096	-	2,096
Aid from other governmental agencies:			
State:			
Homeowners' property tax relief	1,288	-	1,288
Miscellaneous revenue	61	-	61
Unrealized loss on investments	(1,852)	-	(1,852)
Total General Revenues	<u>152,058</u>	<u>-</u>	<u>152,058</u>
Excess of Revenues Over Expenditures	19,992	1,357	21,349
Fund Balance/Net Position - July 1, 2017	<u>174,201</u>	<u>8,746</u>	<u>182,947</u>
Fund Balance/Net Position - June 30, 2018	<u>\$ 194,193</u>	<u>\$ 10,103</u>	<u>\$ 204,296</u>

The accompanying notes are an integral part of these financial statements.

DURHAM MOSQUITO ABATEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2018

1. SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Durham Mosquito Abatement District (the District) provides mosquito abatement services to the residents in the Durham area of Butte County. The District is an autonomous Special District of the State of California, formed in accordance with the Health and Safety Codes, Chapter 5, Article 2, Division 3, and governed by a five member Board of Directors appointed by the Butte County Board of Supervisors.

The District's financial statements include all transactions for which the District is financially accountable. Financial accountability is defined as appointment of a majority of a component unit's Board and either the ability to impose the will of the District or the possibility that the component unit will provide a financial benefit to or impose a financial burden on the District. Based on these criteria, the District has determined that there are no component units that come under the criteria for inclusion. The District is not a component unit of any other government entity.

Financial Statement Presentation

The statement of net position and statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government. These statements report the governmental activities of the District which are normally supported by assessments and property tax revenues. The District had no business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include operating grants. Revenues that are not classified as program revenues are presented instead as general revenues.

Fund financial statements of the District are organized into one fund which is considered to be a separate accounting entity. The fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. The fund of the District is organized into the governmental category. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or meets certain criteria.

The District only reports one fund, the General Fund, which is used to account for all revenues and expenditures necessary to carry out the basic activities of the District.

Basis of Accounting and Measurement Focus

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

DURHAM MOSQUITO ABATEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2018

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations.

Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Charges for services, operating grants, and use of money and property are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when the payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and capital leases are reported as other financing sources.

Cash and Investments

The District pools all cash and investments with the County of Butte. The Butte County Treasury is an external investment pool for the District and the District is considered an involuntary participant.

The County is restricted by *California Government Code* Section 53635, pursuant to Section 53601, to investment in time deposits, U.S. government securities, state registered warrants, notes, or bonds, State Treasurer's investment pool, bankers' acceptances, commercial paper, negotiable certificates of deposit, and repurchase or reverse repurchase agreements. Information regarding the amount of dollars invested in derivatives with the County was not available. The county investment pool is subject to regulatory oversight by the Treasury Oversight Committee, as required by *California Government Code* Section 27130.

Accounts Receivable

Accounts receivable consist of interest earned on cash in county treasury. The District has determined that all amounts are collectable and therefore, no allowance for doubtful accounts was deemed necessary.

Inventories

Inventories consist of expendable supplies (chemicals for pest control), held for future use and are carried at cost. Inventories reported in the General Fund are offset by a fund balance reserve, which indicates that it does not constitute "available, spendable resources".

DURHAM MOSQUITO ABATEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2018

Capital Assets

In the statement of net position, property, plant, and equipment are accounted for as capital assets. All capital assets are valued at historical cost except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Assets capitalized have an original cost of \$1,000 or more and over one year useful life. Depreciation on all capital assets is computed using a straight-line basis over the estimated useful lives of the various classes of depreciable capital assets as follows: land improvements, 20 years; building and improvements, 20 to 50 years; and machinery and equipment, 3 to 10 years.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the government fund upon acquisition.

Deferred Outflows/Inflows of Resources from Pensions

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred outflows of resources for its pension plan.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows of resources for its pension plan.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds.

Pensions

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

Government-Wide Net Position

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

DURHAM MOSQUITO ABATEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2018

Government-wide net position is reported in three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets – This component 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.

Restricted – This component consists of constraints placed on net position through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component consists of all other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Governmental Fund Balance

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by formal action of the District.

Assigned – Amounts that are designated by the District to be used for specific purposes, but are neither restricted nor committed. The Board of Directors has the authority to assign amounts to be used for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

DURHAM MOSQUITO ABATEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2018

Property Tax Revenue

Butte County is responsible for assessing, collecting, and apportioning property taxes. Property taxes are recognized as revenues in the year they are levied to the extent that they result in current receivables. Property taxes attach as an enforceable lien on property as of January 1. Property taxes are levied on July 1 and are payable in two installments, December 10 and April 10. The County uses the Teeter Plan whereby all property taxes due to the District are allocated to the District before the actual taxes are collected. Thus, the District has minimal prior year allocations of uncollected taxes. The District relies on the County of Butte Property Tax Section, Assessor and Treasury for the assessment, billing, collection, and distribution of its share of the property tax revenues.

2. CASH

All cash held as of June 30, 2017 and 2018, is maintained in the Butte County Treasurer's investment pool.

Credit Risk - Investments

California Government Code Section 53601 limits investments in commercial paper to "prime" quality of the highest ranking, or of the highest letter and numerical rating as provided by nationally recognized statistical rating organizations (NRSRO), and limits investments in medium-term notes to a rating of A or better. The District has no investment policy that would further limit its investment choices. The District's investment in the county investment pool is unrated.

Concentration of Credit Risk - Investments

California Government Code Section 53635 places the following concentration limits on the county investment pool:

No more than 40% may be invested in eligible commercial paper; no more than 10% may be invested in the outstanding commercial paper of any single issuer; and no more than 10% of the outstanding commercial paper of any single issuer may be purchased.

California Government Code Section 53601 places the following concentration limits on the District's investments:

No more than 5% may be invested in the securities of any one issuer, except the obligations of the U.S. government, U.S. government agencies, and U.S. government-sponsored enterprises; no more than 10% may be invested in any one mutual fund; no more than 25% may be invested in commercial paper; no more than 10% of the outstanding commercial paper of any single issuer may be purchased; no more than 30% may be invested in bankers' acceptances of any one commercial bank; no more than 30% may be invested in negotiable certificates of deposit; no more than 20% may be invested in repurchase agreements or reverse repurchase agreements; and no more than 30% may be invested in medium-term notes.

DURHAM MOSQUITO ABATEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2018

Interest Rate Risk - Investments

California Government Code Section 53601 limits the District's investments to maturities of five years. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District does not have any investments with maturities greater than five years.

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, is as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Capital assets, being depreciated:				
Structures and improvements	\$ 40,291	\$ -	\$ -	\$ 40,291
Equipment	90,685	10,591	9,545	91,731
Total capital assets, being depreciated	130,976	10,591	9,545	132,022
Less accumulated depreciation	(114,064)	(3,884)	9,545	(108,403)
Capital Assets, Net	\$ 16,912	\$ 6,707	\$ 19,090	\$ 23,619

Capital asset activity for the year ended June 30, 2018, is as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Capital assets, being depreciated:				
Structures and improvements	\$ 40,291	\$ -	\$ -	\$ 40,291
Equipment	91,731	-	-	91,731
Total capital assets, being depreciated	132,022	-	-	132,022
Less accumulated depreciation	(108,403)	(3,884)	-	(112,287)
Capital Assets, Net	\$ 23,619	\$ (3,884)	\$ -	\$ 19,735

Depreciation expense for the years ended June 30, 2017 and 2018, totaled \$3,884 and \$3,884, respectively.

4. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses are aggregated as follows:

Year Ended June 30	2017	2018
Vendors payable	\$ 1,958	\$ 6,273
Accrued payroll	3,176	3,265
Total Accounts Payable and Accrued Expenses	\$ 5,134	\$ 9,538

DURHAM MOSQUITO ABATEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2017 and 2018

5. LONG-TERM OBLIGATIONS

Long-term obligations include debt and other liabilities. A schedule of changes in long-term obligations for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due Within One Year
Net pension liability	\$ 20,588	\$ 7,651	\$ -	\$ 28,239	\$ -
Total	\$ 20,588	\$ 7,651	\$ -	\$ 28,239	\$ -

A schedule of changes in long-term obligations for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018	Due Within One Year
Net pension liability	\$ 28,239	\$ 6,106	\$ -	\$ 34,345	\$ -
Total	\$ 28,239	\$ 6,106	\$ -	\$ 34,345	\$ -

6. PENSION PLAN

Qualified employees are covered under a cost-sharing multiple-employer defined benefit pension plan maintained by an agency of the State of California, the California Public Employees' Retirement System (CalPERS).

The risks of participating in a multiple-employer plan is different from single-employer plans in the following aspects:

- Assets contributed to the multiple-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contribution to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If the District chooses to stop participating in its multiple-employer plan, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Plan Description The employees of the District participate in the Miscellaneous Plan (the Plan) under CalPERS, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administrated by CalPERS. Benefit provisions are established by state statute, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information. Copies of the CAFR may be obtained from CalPERS, 400 Q Street, Sacramento, California, 95811, and at www.calpers.ca.gov.

Benefits Provided The Plan provides retirement, disability benefits, and death benefits to Plan members and beneficiaries. The benefits are based on members' years of service, age, final

DURHAM MOSQUITO ABATEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2017 and 2018

compensation, and benefit formula. Members become fully vested in their retirement benefits earned to date after five years of credited service.

Contributions Active Plan members are required to contribute 7.00% of their salary, and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rates for the 2017 and 2018 fiscal years were 7.61% and 7.65%, respectively. In addition, the District was required to contribute an unfunded actuarial liability payment of \$1,765 and \$2,002 for the 2017 and 2018 fiscal years, respectively. The District's total contributions to CalPERS for the fiscal years ended June 30, 2017 and 2018 amounted to \$5,464 and \$5,412, respectively, and equaled 100% of the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a net pension liability of \$28,239 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures. The District's portion of the net pension liability was based on a projection of the District's long-term share of contributions to the Plan relative to the projected contributions of all participating organizations and the state, actuarially determined. At June 30, 2017, the District's portion was 0.0008%.

For the year ended June 30, 2017, the District recognized pension expense of \$302. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 140	\$ -
Changes of assumptions	-	1,720
Differences between projected and actual investment earnings	8,952	-
Difference between district's contributions and proportionate share of contributions	1,536	-
Changes in district's proportion	-	1,006
Contributions subsequent to measurement date	5,464	-
Total	\$ 16,092	\$ 2,726

The \$5,464 reported as deferred outflows of resource related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows

DURHAM MOSQUITO ABATEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2017 and 2018

of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2018	\$	626
2019		797
2020		4,160
2021		2,319
Totals	\$	7,902

At June 30, 2018, the District reported a net pension liability of \$34,345 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures. The District's portion of the net pension liability was based on a projection of the District's long-term share of contributions to the Plan relative to the projected contributions of all participating organizations and the state, actuarially determined. At June 30, 2018, the District's portion was 0.0009%.

For the year ended June 30, 2018, the District recognized pension expense of \$171. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 43	\$ 625
Changes of assumptions	5,414	413
Differences between projected and actual investment earnings	1,224	-
Differences between district's contributions and proportionate share of contributions	2,982	-
Change in district's proportion	11,309	633
Contributions subsequent to measurement date	5,412	-
Total	\$ 26,384	\$ 1,671

The \$5,412 reported as deferred outflows of resource related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

DURHAM MOSQUITO ABATEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2017 and 2018

2019	\$ 11,361
2020	5,227
2021	3,441
2022	(728)
Totals	\$ 19,301

Actuarial Assumptions

The total pension liability in the actuarial valuations for CalPERS was determined using the following actuarial assumptions and applied to all periods included in the measurement:

Valuation date	June 30, 2015	June 30, 2016
Measurement Date	June 30, 2016	June 30, 2017
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions		
Discount rate	7.65%	7.15%
Inflation	2.75%	2.75%
Salary increases	Varies by entry age & service	Varies by entry age & service
Investment rate of return	7.50%, net of pension plan investment & administrative expenses; includes inflation	7.50%, net of pension plan investment & administrative expenses; includes inflation

CalPERS uses custom mortality tables to best fit the patterns of mortality amount its members. The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

The actuarial assumptions used in the valuations were based on the results of an actuarial experience study for the period July 1, 1997, through June 30, 2011.

The long-term expected rate of return on pension plan investments were determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all of the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using capital market assumptions applied to determine the discount rate and asset allocation.

DURHAM MOSQUITO ABATEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2017 and 2018

The following table was used for the June 30, 2015 and 2016 valuations:

Asset Class	Strategic Allocation	Real Return Years 1-10*	Real Return Years 11+**
Global Equity	51%	5.25%	5.71%
Global Fixed Income	20%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	10%	6.83%	6.95%
Real Estate	12%	4.50%	5.13%
Liquidity	1%	-0.55%	-1.05%

* An expected inflation of 2.5% used for this period.

** An expected inflation of 3.0% used for this period.

Discount Rate

The discount rate used to measure the total pension liability was 7.65% and 7.15% for the June 30, 2017 and 2018, measurement dates, respectively. The amortization and smoothing periods recently adopted by CalPERS were utilized to determine whether the municipal bond rate should be used in the calculation of a discount rate. A projection of expected benefit payments and contributions was performed to determine if the assets would run out. The test revealed the assets would not run out. 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.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability calculated using the discount rate below, as well as the District's proportionate share of the net pension liability if it was calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Year Ended June 30, 2017			
District's proportionate share of the net pension liability	\$ 42,776	\$ 28,239	\$ 16,224
	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Year Ended June 30, 2018			
District's proportionate share of the net pension liability	\$ 52,190	\$ 34,345	\$ 19,566

DURHAM MOSQUITO ABATEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2017 and 2018

Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in CalPERS's separately issued Comprehensive Financial Report (CAFR).

7. RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

The "total fund balance" of the General Fund in the governmental fund balance sheet differs from the "total net position" reported in the statement of net position. This difference primarily results from the long-term economic focus of the statement of net position.

		June 30, 2017
Total Fund Balance - Governmental Funds		\$ 174,201
Amounts reported for assets, deferred outflows of resources, liabilities, and deferred inflows of resources for governmental activities in the statement of net position are different from amounts reported in governmental funds because:		
Capital assets:		
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:		
Capital assets	\$ 132,022	
Accumulated depreciation	<u>(108,403)</u>	23,619
Long-term liabilities:		
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
Net pension liability		(28,239)
Deferred outflows and inflows of resources relating to pensions:		
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.		
Deferred outflows of resources related to pensions	16,092	
Deferred inflows of resources related to pensions	<u>(2,726)</u>	13,366
Total Net Position - Governmental Activities		\$ 182,947

DURHAM MOSQUITO ABATEMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2018

		June 30, 2018
Total Fund Balance - Governmental Funds		\$ 194,193
Amounts reported for assets, deferred outflows of resources, liabilities, and deferred inflows of resources for governmental activities in the statement of net position are different from amounts reported in governmental funds because:		
Capital assets:		
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:		
Capital assets	\$ 132,022	
Accumulated depreciation	(112,287)	19,735
Long-term liabilities:		
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
Net pension liability		(34,345)
Deferred outflows and inflows of resources relating to pensions:		
In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported.		
Deferred outflows of resources related to pensions	26,384	
Deferred inflows of resources related to pensions	(1,671)	24,713
Total Net Position - Governmental Activities		\$ 204,296

8. RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

		Year Ended June 30, 2017
Net Change in Fund Balances - Governmental Funds		\$ (5,091)
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:		
Capital outlay:		
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:		
Expenditures for capital outlay	\$ 10,591	
Depreciation expense	(3,884)	6,707
Pensions:		
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:		
		4,101
Change in Net Position - Governmental Activities		\$ 5,717

DURHAM MOSQUITO ABATEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
Years Ended June 30, 2017 and 2018

	Year Ended June 30, 2018
Net Change in Fund Balances - Governmental Funds	\$ 19,992
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:	
Capital outlay:	
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:	
Depreciation expense	(3,884)
Pensions:	
In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities, pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and employer contributions was:	
	5,241
Change in Net Position - Governmental Activities	\$ 21,349

9. RISK MANAGEMENT

The District is exposed to various risks including loss or damage to property and general liability. The District participates in a public entity risk pool as a member of Vector Control Joint Powers Agency (VCJPA) and receives general liability and property coverage. Each VCJPA member agency shares surpluses and deficits proportional to their participation. Settled claims have not exceeded insurance coverage in any of the past three years. No significant reductions in insurance coverage from the prior year have been made. The District's share of year-end assets, liabilities, or fund equity is not calculated by the JPA. Separately issued financial statements can be requested from the JPA.

10. PRIOR PERIOD ADJUSTMENT

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* was effective for the fiscal year ended June 30, 2015. This statement improves financial reporting for pensions and the information provided about financial support for pensions that are provided by other entities. Net position as of July 1, 2016, has been restated for the implementation of GASB Statement No. 68. The effect was to decrease the net position of the District by \$20,035.

REQUIRED SUPPLEMENTARY INFORMATION

DURHAM MOSQUITO ABATEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE, BUDGET AND
ACTUAL (GAAP) – GENERAL FUND
Year Ended June 30, 2017

	Budgeted Amounts			Variance
	Original	Final	Actual	Favorable
				(Unfavorable)
EXPENDITURES/EXPENSES				
Salaries and benefits	\$ 100,000	\$ 100,000	\$ 89,195	\$ 10,805
Services and supplies	60,000	60,000	49,501	10,499
Capital outlay	20,000	20,000	10,591	9,409
Total Expenditures/Expenses	180,000	180,000	149,287	30,713
GENERAL REVENUES				
Current secured property taxes	81,000	81,000	88,789	7,789
Current supplemental property taxes	450	450	1,155	705
Current unsecured property taxes	4,500	4,500	4,594	94
Prior unsecured property taxes	100	100	104	4
Property assessments	44,000	44,000	48,129	4,129
Interest income	1,600	1,600	1,610	10
Aid from other governmental agencies:				
State:				
Homeowners' property tax relief	1,500	1,500	1,266	(234)
Miscellaneous revenue	2,000	2,000	60	(1,940)
Unrealized loss on investments	-	-	(1,511)	(1,511)
Total General Revenues	135,150	135,150	144,196	9,046
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	\$ (44,850)	\$ (44,850)	\$ (5,091)	\$ 39,759

**DURHAM MOSQUITO ABATEMENT DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE, BUDGET AND
ACTUAL (GAAP) – GENERAL FUND
Year Ended June 30, 2018**

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
EXPENDITURES/EXPENSES				
Salaries and benefits	\$ 100,000	\$ 100,000	\$ 89,157	\$ 10,843
Services and supplies	60,000	60,000	42,909	17,091
Capital outlay	20,000	20,000	-	20,000
Total Expenditures/Expenses	180,000	180,000	132,066	47,934
GENERAL REVENUES				
Current secured property taxes	81,000	81,000	96,108	15,108
Current supplemental property taxes	450	450	1,344	894
Current unsecured property taxes	4,500	4,500	4,600	100
Prior unsecured property taxes	100	100	160	60
Property assessment	48,000	48,000	48,253	253
Interest income	1,500	1,500	2,096	596
Aid from other governmental agencies:				
State:				
Homeowners' property tax relief	1,300	1,300	1,288	(12)
Miscellaneous revenue	800	800	61	(739)
Unrealized loss on investments	-	-	(1,852)	(1,852)
Total General Revenues	137,650	137,650	152,058	14,408
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	\$ (42,350)	\$ (42,350)	\$ 19,992	\$ 62,342

DURHAM MOSQUITO ABATEMENT DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
Last Ten Fiscal Years*

Year Ended June 30	2018	2017	2016	2015
District's proportion of the net pension liability	0.00087%	0.00081%	0.00081%	0.00085%
District's proportionate share of the net pension liability	\$ 34,345	\$ 28,239	\$ 20,588	\$ 21,321
District's covered-employee payroll	\$ 48,600	\$ 48,600	\$ 48,600	\$ 48,600
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	70.67%	58.10%	42.36%	43.87%
Plan fiduciary net position as a percentage of total pension liability	75.87%	75.87%	82.25%	82.32%

* This schedule will eventually present 10 years of information. However, it currently only provides the information for those years in which the information is available.

The accompanying notes are an integral part of these financial statements.

DURHAM MOSQUITO ABATEMENT DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
Last Ten Fiscal Years*

Year Ended June 30	2018	2017	2016	2015
Contractually required contribution	\$ 5,412	\$ 5,464	\$ 5,074	\$ 5,629
Contributions in relation to the contractually required contribution	(5,412)	(5,464)	(5,074)	(5,629)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 48,600	\$ 48,600	\$ 48,600	\$ 48,600
Contributions as a percentage of covered-employee payroll	11.14%	11.24%	10.44%	11.58%

* This schedule will eventually present 10 years of information. However, it currently only provides the information for those years in which the information is available.

The accompanying notes are an integral part of these financial statements.

DURHAM MOSQUITO ABATEMENT DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Years Ended June 30, 2017 and 2018

1. PENSION – CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were no changes in benefit terms that affected measurement of the total pension liability during the measurement period.

Changes in Assumptions

There were no changes in major assumptions from the June 30, 2015 actuarial valuation used for the June 30, 2016 measurement date.

For the measurement date ended June 30, 2017, the discount was reduced from 7.65% to 7.15%.

OTHER INDEPENDENT AUDITORS' REPORT



TIMOTHY A. TITTLE, CPA ■ HEIDI M. COPPIN, CPA ■ CHANDESE D. MEGHDADI, CPA

**INDEPENDENT AUDITORS' 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**

To The Board of Directors
Durham Mosquito Abatement District
Durham, California

We have audited, in accordance with the 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 governmental activities and the General Fund of Durham Mosquito Abatement District (the District), as of and for the years ended June 30, 2017 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon February 13, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control 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 our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001, which we consider to be a significant deficiency.

**INDEPENDENT AUDITORS' 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***

Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Tittle & Company, LLP

Chico, California
February 13, 2019

DURHAM MOSQUITO ABATEMENT DISTRICT SCHEDULE OF FINDINGS AND RESPONSES

Years Ended June 30, 2017 and 2018

Significant Deficiency

2018-001: Internal Control – Payroll (Personnel Files)

Condition

Personnel files do not include documentation of approved pay rates and benefits.

Criteria

Personnel files should contain documentation of approved pay rates upon employee hire date and any subsequently approved pay adjustments. Personnel files should also include documentation of approved benefit plan changes.

Effect

Without strengthening internal controls over payroll, wages and benefits may be improperly paid to District employees.

Recommendation

In order to strengthen internal controls over payroll, we recommend that personnel files be updated to include documentation of current pay rates and benefits for all employees. Approval of subsequent pay adjustments and benefit plan changes should be maintained in personnel files.

Management's Response

Management will adopt procedures during the fiscal year ending June 30, 2019, to implement the recommendation.

**DURHAM MOSQUITO ABATEMENT DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Years Ended June 30, 2017 and 2018

Significant Deficiency

2016-001: Internal Control – Payroll (Timecards)

Condition

Timecards are not consistently being signed by supervisor. Several timecards could not be located for testing. We found four instances in the fiscal year ending June 30, 2015, where the supervisor did not sign the timecard or timecards could not be located. We found one instance in the fiscal year ending June 30, 2016, where the supervisor did not sign the timecard.

Criteria

Internal control procedures should provide reasonable assurance that wages paid are approved prior to processing the corresponding payroll transactions. Timecards should be maintained for all hourly employees and the timecards should be signed by the employee and supervisor.

Effect

Without strengthening internal controls over payroll disbursements, wages may be improperly paid to District employees.

Recommendation

In order to strengthen internal controls over payroll, we recommend that employees be required to sign timecards and submit to their supervisor for approval.

Current Status

Fully implemented.

**DURHAM MOSQUITO ABATEMENT DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Years Ended June 30, 2017 and 2018

Significant Deficiency

2016-002: Internal Control – Payroll (Personnel Files)

Condition

Personnel files do not include documentation of approved pay rates and benefits.

Criteria

Personnel files should contain documentation of approved pay rates upon employee hire date and any subsequently approved pay adjustments. Personnel files should also include documentation of approved benefit plan changes.

Effect

Without strengthening internal controls over payroll, wages and benefits may be improperly paid to District employees.

Recommendation

In order to strengthen internal controls over payroll, we recommend that personnel files be updated to include documentation of current pay rates and benefits for all employees. Approval of subsequent pay adjustments and benefit plan changes should be maintained in personnel files.

Current Status

See current year finding at 2018-001.