

**ANIMAS MOSQUITO
CONTROL DISTRICT**

FINANCIAL STATEMENTS

Year Ended December 31, 2016



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**ANIMAS MOSQUITO CONTROL DISTRICT
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CLARK, WHITE, & ASSOCIATES, INC.

Karla K. Clark, CPA

INDEPENDENT AUDITOR'S REPORT Frankie White, CPA

Board of Directors
Animas Mosquito Control District
Durango, Colorado

We have audited the accompanying financial statements of the governmental activities, and the major fund of Animas Mosquito Control District as of and for the year ended December 31, 2016, 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.

Auditor's 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Animas Mosquito Control District as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance 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 budgetary comparison information on pages iii – vii and 11 – 12 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 our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Clark, White & Associates, Inc.

Clark, White & Associates, Inc.

July 19, 2017

Management's Discussion and Analysis

This discussion and analysis is intended to be an easily readable analysis of the Animas Mosquito Control District's financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

This section provides a summary of the District's financial performance. It contains an overview and analysis of the District's financial activities for the year ended December 31, 2016. The financial statements are an integral part of this analysis and should be read in conjunction with this document.

Financial Highlights for 2016 – General Fund

1. Revenues were \$765,573
2. Expenditures were \$845,796

Report Layout

Besides this Management's Discussion and Analysis (MD&A), the report consists of combined governmental fund and government-wide financial statements, notes to the financial statements, and required supplementary information including a budget comparison schedule for the General Fund and notes to required supplementary information. Animas Mosquito Control District is a single fund entity whose primary function is to control mosquitoes to enhance public health and comfort. The revenues and expenses relate to the core function of operating the district and its facilities. The basic financial statements of Animas Mosquito Control District contain two primary statements: Governmental Fund Balance Sheet/Statement of Net Position and the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/Statement of Activities.

The Governmental Fund Balance Sheet/Statement of Net Position reflects the cumulative financial condition of the District at December 31, 2016, and the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/Statement of Activities show the change in financial condition from operations and other activities for the year then ended. These statements use two different financial measurements. The column labeled Governmental Fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting. The columns labeled Statement of Net Position and Statement of Activities are reported using the economic resources measurement focus and the accrual basis of accounting.

The MD&A is intended to explain the significant changes in financial position and differences in operations between the current and prior year.

Financial Statements

Governmental Fund Balance Sheet/Statement of Net Position

This financial statement reports the assets, liabilities, deferred revenues and fund balances of the General Fund at December 31, 2016, and after adjustments (as explained in Note 11) the net position of the District's governmental activities at December 31, 2016.

At December 31, 2016, the General Fund reports assets and liabilities as follows:

Current assets: \$2,615,126. This is a decrease of \$76,089 from the prior year. There were three significant changes between 2016 and 2015:

1. In 2016, total cash decreased by \$2,041
2. Inventory decreased by \$124,118
3. Property taxes receivable increased by \$11,709
4. Prepaid expenses increased by \$33,019

Total assets at December 31, 2016 were \$2,695,605.

The District's current liabilities consisted of accounts payable and payroll tax liabilities of \$9,330, an increase of \$402 from 2015.

Deferred Inflows of Revenues are deferred property taxes which have been assessed for 2016 and will be collected in 2017.

Fund balance for the General Fund at December 31, 2016, was \$2,035,636. The District's fund balance has been allocated as follows:

1. Non-spendable balances consisting of \$176,997 for inventory and \$55,452 for prepaid expenses.
2. Restricted for Emergency Reserve \$21,225
3. The remainder of the fund balance of \$1,781,962 is unassigned.

Table A (shown on page vi) is a condensed format of the Statement of Net Position for the Governmental Activities. The major increases in assets and liabilities agree with the General Fund and are discussed above. The difference between the assets shown on the Statement of Net Position and the General Fund is the addition of capital assets for \$167,927. Capital assets are not included in governmental funds but are a GASB 34 adjustment and are included in the government-wide statements. Capital assets are shown net of accumulated depreciation. Net capital assets increased \$17,455 from the prior year. New assets purchased were \$52,711 and depreciation expense was \$35,256.

Total net position as shown in Table A decreased by \$29,556. This decrease agrees with the 2016 net loss of \$(62,768) plus the prior period adjustment of \$33,212 as discussed in note 12.

Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities

This financial statement reports the revenues, expenditures and changes in fund balance for the General Fund for the year ended December 31, 2016, and after adjustments (as explained in Note 11) the statement of activities for the District's governmental activities for the year ended December 31, 2016.

For the year ended December 31, 2016, the General Fund's total revenues were \$765,573. The District's main source of revenues is general property taxes in the amount of \$638,249. Property tax collections including specific ownership taxes increased from 2015 to 2016 by \$49,257 due to an increase in assessed valuations.

The District's expenses for the year ended 2016 were \$845,796. This was an increase over 2015 of \$198,134. This increase was primarily due to an increase in spraying activities and personnel costs.

The excess of expenditures over revenues for the year ended December 31, 2016 created a loss of \$80,223.

Table B (shown on page vi) is a condensed format of the Statement of Activities for the Governmental Activities. For 2016 the change in net position is \$(62,768). This is a decrease of \$50,435 over the previous year.

Table A and B indicate that although the District had losses in both 2016 and 2015, its finances are stable due to the large cash reserves the District has accumulated over the years.

TABLE A
Condensed Statement of Net Position

	<u>Governmental Activities</u>		<u>Change</u>
	<u>Audited 2016</u>	<u>Unaudited 2015</u>	
Current assets	\$2,615,126	\$2,691,215	(\$76,089)
Capital assets	167,927	150,472	17,455
Other assets	80,479	39,290	41,189
Total assets	<u>2,863,532</u>	<u>2,880,977</u>	<u>(17,445)</u>
Accounts payable	9,330	8,928	402
Total liabilities	<u>9,330</u>	<u>8,928</u>	<u>402</u>
Deferred Inflows	650,639	638,930	11,709
Net Position:			
Invested in capital assets	167,927	150,472	17,455
Restricted	21,225	21,225	
Unrestricted	2,014,411	2,061,422	(47,011)
Total net position	<u>\$2,203,563</u>	<u>\$2,233,119</u>	<u>(\$29,556)</u>

TABLE B
Condensed Statement of Activities

	<u>Governmental Activities</u>		<u>Change</u>
	<u>Audited 2016</u>	<u>Unaudited 2015</u>	
Other income	\$27,359	\$6,373	\$20,986
Total operating expenses	828,341	674,946	153,395
Operating income (loss)	<u>(800,982)</u>	<u>(668,573)</u>	<u>(132,409)</u>
General Revenues			
Property taxes and specific ownership taxes	695,027	645,770	49,257
Interest income	43,187	10,470	32,717
General revenues	<u>738,214</u>	<u>656,240</u>	<u>81,974</u>
Change in Net Position	<u>(62,768)</u>	<u>(12,333)</u>	<u>(50,435)</u>
Beginning net position, as previously reported	2,233,119	2,245,452	(12,333)
Correction of an error	33,212		33,212
Beginning of year, as corrected	<u>2,266,331</u>	<u>2,245,452</u>	<u>20,879</u>
Ending net position	<u>\$2,203,563</u>	<u>\$2,233,119</u>	<u>(\$29,556)</u>

Capital Assets

At December 31, 2016, the District had \$167,927 invested in capital assets, consisting primarily of buildings, equipment, and vehicles. At December 31, 2015, the District had \$150,472 invested in capital assets. The difference is due to new asset purchases and depreciation expense for 2016.

Budgetary Highlights

In 2016, the District's amended its budget. Revenues of \$655,330 were budgeted and \$724,382 was received. Revenues were over the budgeted amount by \$69,052. Expenditures were budgeted for \$1,555,450 and \$845,796 was spent. Expenses were under the amended budget by \$709,654 primarily due to contingency expenses budgeted for and not spent in 2016. The Budgetary Comparison Schedule for the General Fund can be found on page 11 in the Required Supplementary Information.

Economic Factors and Next Year's Budget

For 2017, the District will work toward the continual goal of eradicating mosquitoes that spread disease and discomfort to the areas that it serves. The District has appropriated \$742,450 in revenues and expenditures for 2017.

In 2017, the District has planned no capital projects. Due to the increased number of properties that limit access, AMCD is purchasing (2) back-pack blowers (\$600-\$700). Also, AMCD is purchasing parts (some used) for the Beecomist sprayers as the parts are hard to find (\$3,000-\$3,500).

The recommendation of the American Mosquito Control Association is that all districts should keep a year's budgeted money in reserve (above operating capital) for emergencies, e.g., a West Nile outbreak or major flood needs, which causes a major increase in mosquito infestation and disease opportunities. Animas Mosquito Control District has been working towards this goal for years and ends 2016 with \$1,719,086 in cash and cash equivalents.

Financial Contact

The District's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, please contact the District Manager, Joseph Koefler at 970-247-1483.

ANIMAS MOSQUITO CONTROL DISTRICT
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION
December 31, 2016

	<u>Governmental Fund General Fund</u>	<u>Adjustments (Note 11)</u>	<u>Statement of Net Position</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$1,719,086	\$0	\$1,719,086
Receivables			
Property taxes	659,267		659,267
Intergovernmental	4,324		4,324
Prepaid expenses	55,452		55,452
Inventory	176,997		176,997
Total Current Assets	<u>2,615,126</u>	<u>0</u>	<u>2,615,126</u>
Capital Assets, Net of Accumulated Depreciation			
Buildings		47,681	47,681
Equipment		44,566	44,566
Vehicles		75,680	75,680
Net Capital Assets	<u>0</u>	<u>167,927</u>	<u>167,927</u>
Other Assets			
Cash values of life insurance policies	80,479		80,479
Total Other Assets	<u>80,479</u>	<u>0</u>	<u>80,479</u>
Total Assets	<u><u>\$2,695,605</u></u>	<u><u>167,927</u></u>	<u><u>2,863,532</u></u>
LIABILITIES, DEFERRED INFLOWS, FUND BALANCES AND NET POSITION			
Liabilities			
Accounts payable	\$7,821		7,821
Payroll tax liabilities	1,509		1,509
Total Liabilities	<u>9,330</u>	<u>0</u>	<u>9,330</u>
Deferred Inflows			
Deferred property taxes	650,639		650,639
Fund Balances			
Non-spendable			
Inventory	176,997	(176,997)	
Prepaid expenses	55,452	(55,452)	
Restricted for Emergency Reserve	21,225	(21,225)	
Unassigned	1,781,962	(1,781,962)	
Total Fund Balances	<u>2,035,636</u>	<u>(2,035,636)</u>	
Total Liabilities, Deferred Inflows and Fund Balances	<u><u>\$2,695,605</u></u>		
Net Position			
Invested in capital assets		167,927	167,927
Restricted for Emergency Reserve		21,225	21,225
Unrestricted		2,014,411	2,014,411
Total Net Position		<u><u>\$2,203,563</u></u>	<u><u>\$2,203,563</u></u>

The accompanying notes are an integral part of this statement.

**ANIMAS MOSQUITO CONTROL DISTRICT
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

	<u>Governmental Fund General Fund</u>	<u>Adjustments (Note 11)</u>	<u>Statement of Activities</u>
REVENUES			
General property taxes	\$638,249	\$0	\$638,249
Specific ownership taxes	55,236		55,236
Interest and penalties on taxes	1,542		1,542
Interest and other investment income	43,187		43,187
Other	27,359		27,359
Total Revenues	<u>765,573</u>	<u>0</u>	<u>765,573</u>
EXPENDITURES/EXPENSES			
General Government			
Education	3,495		3,495
Depreciation		3,213	3,213
Insurance	24,374		24,374
Miscellaneous	3,323		3,323
Shipping	108		108
Surveillance	3,149		3,149
Administration			
Advertising	1,132		1,132
County treasurers' fees	19,012		19,012
Occupancy expense	13,047		13,047
Office expense	7,363		7,363
Professional fees	39,751		39,751
Mosquito Control Activities			
Equipment expenses	38,521		38,521
Personnel	372,326		372,326
Spraying	254,108		254,108
Vehicle expenses	13,376		13,376
Capital outlay	52,711	(52,711)	
Depreciation		32,043	32,043
Total Expenditures/Expenses	<u>845,796</u>	<u>(17,455)</u>	<u>828,341</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	(80,223)	80,223	
CHANGE IN NET POSITION		<u>(62,768)</u>	<u>(62,768)</u>
FUND BALANCE/NET POSITION			
Beginning of year, as previously reported	2,082,647	150,472	2,233,119
Correction of an error	33,212		33,212
Beginning of year, as corrected	<u>2,115,859</u>	<u>150,472</u>	<u>2,266,331</u>
End of Year	<u><u>\$2,035,636</u></u>	<u><u>\$167,927</u></u>	<u><u>\$2,203,563</u></u>

The accompanying notes are an integral part of this statement.

**ANIMAS MOSQUITO CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

1. DEFINITION OF REPORTING ENTITY

The Animas Mosquito Control District operates under the statutes governing special districts of the State of Colorado. Animas Mosquito Control District (the District) was created on September 28, 1960, for the purpose of controlling mosquitoes to enhance public health and comfort. The District acts as an information resource on mosquito biology, control and prevention, insect identification and associated disease transmission. The District operates in La Plata County in selected areas along the Animas River following Highway 550 outside the city limits of Durango, Colorado. The District operates under a Board of Directors form of government and the directors are elected by residents in the service area.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, the District's ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

Animas Mosquito Control District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of the Animas Mosquito Control District's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

Measurement Focus, Basis of Accounting and Basis of Presentation

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and *expenses* are recognized when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. No fiduciary funds or component units that are fiduciary in nature are included in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Only current assets and liabilities are included on the balance sheet, and the fund balance includes only current resources.

**ANIMAS MOSQUITO CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

(Note 2 continued)

Under the modified accrual basis of accounting, revenues are recognized as soon as they are both "measurable and available." Measurable means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures are recorded when a liability is incurred as under accrual accounting. Capital asset acquisitions are reported as expenditures in governmental funds.

The District has one governmental fund:

General Fund - The general fund is the District's primary operating fund. It accounts for all financial resources of the general government.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements.

Cash and Cash Equivalents

The District considers all highly liquid investments (including restricted assets) purchased with a maturity of three months or less to be cash equivalents.

Inventories

Inventories of insecticides are valued at the lower of cost or market, using the first in, first out method. The costs of inventories in governmental fund types are recorded as expenditures when consumed rather than when purchased.

Capital Assets

Capital assets, which include buildings, equipment and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with a useful life of more than one year and a cost of over \$1,500. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight line method over the estimated useful lives as follows:

Buildings	40 years
Equipment and vehicles	5 to 10 years

**ANIMAS MOSQUITO CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

(Note 2 continued)

Restricted Resources

The District's policy is to use restricted resources first to fund appropriations for which both restricted and unrestricted net position are available.

Deposits and Investments

Colorado law authorizes the District to invest in obligations of the United States, State of Colorado, Colorado counties and school districts, repurchase agreements, financial institutions, and local government investment pools. House Bill 1056 expanded the list of investments that are legal for local governments.

Receivables

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Property tax billings are considered past due after June 16 of each year, at which time the applicable property is subject to lien and penalties and interest are assessed. An allowance for uncollectible taxes has been estimated based on 20 percent of the total delinquent taxes as of December 31. The allowance at December 31, 2016 was \$2,157.

Net Position/Fund Balances

The difference between assets and liabilities is "Net Position" on the government-wide financial statements and "Fund Balance" on the governmental fund financial statements. Net Position is divided into invested in capital assets (net of related debt), restricted, and unrestricted. Net position is reported as restricted when constraints have been placed by external parties or are imposed by constitutional provisions or enabling legislation.

Under GASB 54 governmental fund balances are classified as non-spendable, restricted, committed, assigned and unassigned.

Fund balance designations used by the District are as follows:

- 1) Non-spendable fund balance consists of the District's inventory and prepaid expenses. This designation is used for the portion of the fund balance that cannot be spent because it is not in spendable form.
- 2) Restricted fund balance consists of the equity of the District which is restricted for emergency purposes by the Tabor Amendment of the State of Colorado Constitution. This designation is used for the portion of the fund balance that is restricted for a specific purpose by external parties.
- 3) Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed or assigned to specific purposes.

If both restricted and unrestricted amounts of fund balance are available for use when the expenditure is incurred, it is District policy to use restricted amounts first. Unrestricted fund balance will be used in the following order: committed, assigned and unassigned.

ANIMAS MOSQUITO CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

(Note 2 continued)

Revenue Recognition - Property Taxes

In the governmental fund financial statements property tax revenue is accounted for using the modified accrual basis of accounting. Property tax receivable is recognized on the levy or lien date. This receivable represents taxes certified by the county to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied in the governmental fund statements. In the government-wide financial statements, property taxes are also recognized as revenues in the year for which they are levied.

The District's property taxes, levied by December 15, on assessed valuation as of the preceding January 1, are due and payable in the subsequent calendar year. Assessed values are established by the county assessor. Property taxes attach as an enforceable lien on property as of January 1 of the year in which payable. The taxes are payable under two methods: 1) in full on or before April 30, 2) one-half on or before February 28, and the remaining one-half on or before June 15. All unpaid taxes levied for the preceding year become delinquent June 16.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

3. CASH AND DEPOSITS

The District's deposit policies are governed by Colorado statute. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories; state regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds. The pool is to be maintained by another financial institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

Custodial Credit Risk – Custodial credit risk is defined as the risk for deposits that, in the event of failure of a depository institution, a government entity will not be able to recover deposits that are in the possession of an outside party. To mitigate this risk, the District's policy requires all deposits to be held in PDPA approved financial institutions. At December 31, 2016, \$1,328,682 of the District's deposits were exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA.

As of December 31, 2016, the District had not adopted a formal deposit and investment policy.

**ANIMAS MOSQUITO CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

4. CAPITAL ASSETS

A summary of changes in capital assets follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
Buildings and land	\$103,355	\$2,108	\$0	\$105,463
Totals	103,355	2,108	0	105,463
Less accumulated depreciation	54,569	3,213		57,782
Net Governmental Activities	48,786	(1,105)	0	47,681
Mosquito Spraying Activities				
Machinery & Equipment	265,076	2,995		268,071
Vehicles	144,932	47,608	22,554	169,986
Totals	410,008	50,603	22,554	438,057
Less accumulated depreciation	308,322	32,043	22,554	317,811
Net Mosquito Spraying Activities	101,686	18,560	0	120,246
Net Property, Plant and Equipment	<u>\$150,472</u>	<u>\$17,455</u>	<u>\$0</u>	<u>\$167,927</u>

Depreciation expense for the year ended December 31, 2016, was \$35,256. Of this amount \$3,213 was charged to general governmental activities and \$32,043 was charged to mosquito control activities.

5. TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District has made certain interpretations of the amendment's language in order to determine its compliance. The District has established an emergency reserve of 3% of its fiscal spending in accordance with the provisions of the Amendment.

In November of 2003, the District asked its voters to allow the District to collect, retain, and spend all of its revenues and other funds collected from any source not excluded from fiscal year spending, effective January 1, 2004, and continuing thereafter. A permanent waiver of the 5.5% limitation was also requested. The requests were approved by the District's voters.

**ANIMAS MOSQUITO CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

6. LIFE INSURANCE POLICIES

- A. The District had a key man universal life insurance policy on its former manager, Melvin S. Schaaf, in the face amount of \$50,000 with the District as the beneficiary. This policy also contains cash values. At the time of the manager's death, the District is entitled to the life insurance proceeds.

At December 31, 2016, there is a net cash value of \$33,359. Total premiums paid in 2016 were \$0. Premiums paid to date on this policy are \$30,209.

The policy allowed the District to keep to the policy in place, sell the policy for its cash value, or transfer it to another individual (assuming the agreement so provides) if the manager retired. In 2014, Mr. Schaaf retired and the District elected to keep the policy in place for the time being.

- B. The District has two life insurance policies on its current manager, Joseph Kuefler, a whole life policy for \$250,000 (No. 24 357 977) and another whole life policy for \$500,000 (No. 24 357 245). The District is the beneficiary for both insurance policies. Both policies provide for cash values accumulated within the policy and the District can surrender the policies at any time and receive the accumulated cash values. The cash values, death benefits, and premiums at December 31, 2016, are as follows:

<i>No. 24 357 977</i>	
Cash value	\$5,666
Death benefit	\$256,529
Premiums paid in 2016	\$11,193
Premiums paid to date	\$22,386

<i>No. 24 657 245</i>	
Cash value	\$41,454
Death benefit	\$573,347
Premiums paid in 2016	\$40,025
Premiums paid to date	\$80,050

7. RELATED PARTY TRANSACTIONS

The following related party transactions occurred in 2016:

- A. The insurance premiums referred to in Note 6 are paid to New York Life Insurance Company. The insurance agent, Scott Maycock is also a board member of Animas Mosquito Control District.
- B. Two District employees, Melody Davis and Carl Schaaf are related to the manager.

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damages to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. Commercial insurance is purchased by the District to cover losses or claims arising from such matters. It is not possible to estimate any losses which would not be covered by the commercial insurance; however, settled claims have not exceeded this commercial coverage in any of the three preceding years.

**ANIMAS MOSQUITO CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

9. JOINT VENTURE

The District is a participant in the Colorado Special Districts' Property and Liability Pool. The Pool is a joint venture between the Special Districts' Association of Colorado and various special districts in Colorado. The Pool provides property and general liability, automobile physical damage and liability, public officials' liability, inland marine, money and security and boiler and machinery coverage to its members. The District has not had losses of a material amount in any of the preceding three years. The District does not know its percentage share of the joint venture. The Pool has contracted with other third parties to operate, administer and manage the Pool. The Pool is responsible for its own budgets. In the event aggregated losses incurred by the Pool exceeds amounts recoverable from the reinsurance contracts and capital and surplus accumulated by the Pool, the Pool may require additional contributions from the Pool members.

The Pool issues a publicly available annual financial report that includes financial statements and supplementary information. That report may be obtained by calling the Colorado Special District Association at 303-863-1733 in the Denver metro area and 1-800-886-1733 from outside the metro area. The joint venture summary audited financial information as of December 31, 2016, is as follows:

Admitted Assets		<u>\$52,645,796</u>
Liabilities		\$28,757,242
Surplus		<u>23,888,554</u>
Total Liabilities and Surplus		<u>\$52,645,796</u>
Revenues		\$19,338,769
Expenses		<u>14,100,230</u>
Net Income		<u>\$5,238,539</u>

**ANIMAS MOSQUITO CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

10. RESTRICTED NET POSITION AND FUND BALANCE DESIGNATIONS

Restricted net position and restricted fund balances consist of amounts restricted for emergency purposes by the Tabor Amendment in the amount of \$21,225.

Non-spendable fund balances consist of inventory of \$176,997 and prepaid expenses of \$55,452.

11. ADJUSTMENTS COLUMN

The adjustments column on the governmental fund balance sheet/statement of net position represents the recording of capital assets and the corresponding accumulated depreciation, and reclassifying deferred property taxes in accordance with GASB Statement No. 34 *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as modified by GASB Statement No. 38 *Certain Financial Statement Note Disclosures*. The total value (net of accumulated depreciation) of the net capital assets recorded equals \$167,927 as of December 31, 2016. The adjustments column on the statement of governmental fund revenues, expenditures and change in fund balance/statement of activities represents the recording of current year depreciation expense of \$35,256 and decreasing capital outlay by \$52,711,

12. CORRECTION OF AN ERROR

In the unaudited financial statements for the year ended December 31, 2015, an error was made in accounting for prepaid life insurance premiums in the general fund. This error has been corrected and had the following effect on the beginning fund balance and net position:

	<u>Fund Balance</u>	<u>Net Position</u>
Beginning of year, as previously reported	\$2,082,647	\$2,233,119
Adjustment to prepaid insurance	<u>33,212</u>	<u>33,212</u>
Beginning of year, as corrected	<u><u>\$2,115,859</u></u>	<u><u>\$2,266,331</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

ANIMAS MOSQUITO CONTROL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE, BUDGET AND
ACTUAL - GENERAL FUND
Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
General property taxes	\$639,330	\$639,330	\$638,249	(\$1,081)
Specific ownership taxes	15,000	15,000	55,236	40,236
Interest and penalties on taxes			1,542	1,542
Other investment income			1,996	1,996
Other	1,000	1,000	27,359	26,359
Total Revenues	<u>655,330</u>	<u>655,330</u>	<u>724,382</u>	<u>69,052</u>
Expenditures				
General Government				
Education	4,500	4,500	3,495	1,005
Insurance	2,500	25,000	24,374	626
Miscellaneous	3,500	3,500	3,323	177
Shipping	500	500	108	392
Surveillance	8,000	8,000	3,149	4,851
Administration				
Advertising	1,000	1,000	1,132	(132)
County treasurers' fees	15,000	15,000	19,012	(4,012)
Occupancy expense	14,000	14,000	13,047	953
Office expense	6,250	6,250	7,363	(1,113)
Professional fees	42,000	42,000	39,751	2,249
Mosquito Control Activities				
Equipment expenses	22,500	32,700	38,521	(5,821)
Personnel	349,500	372,500	372,326	174
Spraying	202,000	255,000	254,108	892
Vehicle expenses	14,500	14,500	13,376	1,124
Contingency		700,000		700,000
Capital outlay	30,000	61,000	52,711	8,289
Total Expenditures	<u>715,750</u>	<u>1,555,450</u>	<u>845,796</u>	<u>709,654</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(60,420)</u>	<u>(900,120)</u>	<u>(121,414)</u>	<u>778,706</u>
Other Financing Sources (Uses)				
Appropriated surplus	60,420	900,120	80,223	(819,897)
Cash value of life insurance			41,191	41,191
Total Other Financing Sources (Uses)	<u>60,420</u>	<u>900,120</u>	<u>121,414</u>	<u>(778,706)</u>
Excess of Revenues and Other Sources over Expenditures and Other Uses	<u>\$0</u>	<u>\$0</u>	<u>0</u>	<u>\$0</u>
Fund Balance, Beginning of year, as corrected			<u>2,115,859</u>	
Fund Balance, Ending - Budgetary Basis			2,115,859	
Adjustments to Reconcile Budgetary Basis to GAAP Basis				
Appropriated surplus			<u>(80,223)</u>	
Fund Balance, Ending - GAAP Basis			<u>\$2,035,636</u>	

Notes to required supplementary information are an integral part of this statement.

**ANIMAS MOSQUITO CONTROL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2016**

Budgets and Budgetary Accounting:

Annual budgets are established by the District as required by Colorado law. The budget has been prepared using the cash basis of accounting, which differs from the modified accrual used for financial statement preparation. The reconciliation of the budget basis of accounting to generally accepted accounting principles (GAAP) is reported in the general purpose financial statements.

Expenditures may not legally exceed appropriations at the fund level. Budget amounts included in the financial statements are based on the final amended budget. After budget approval, the District's Board of Directors may approve supplemental appropriations if an occurrence, condition, or need exists that was not known at the time the budget was adopted. A supplemental appropriation was made in 2016 for the General Fund.

On or before October 15 of each year, the District's budget officer must prepare and submit a proposed budget to the Board for the next fiscal year. Thereupon, notice must be published stating, among other things, that the budget is open to inspection by the public and that interested electors may file or register any objection to the budget. State law requires that the District adopt a budget prior to the certification of its mill levy to the county and file a certified copy of its budget with the Division of Local Government within 30 days of such adoption. Failure to do so can result in the withholding, by the county treasurer, of any property tax revenues that may be levied in the future by the District, pending compliance. The District timely filed the certified copy of its budget for the year ended December 31, 2016.

The District uses the current financial resources measurement focus and the modified accrual basis of accounting in preparing the budget. Expenditure estimates in the annual budget are enacted into law by the passage of appropriation resolutions. Budgetary control exists at the total fund level and encumbrance accounting is not employed as a part of the budgetary process. In 2016, the District appropriated \$1,555,450 and spent \$845,796.

Budget appropriations lapse at the end of each year.