



GRAND RIVER MOSQUITO CONTROL DISTRICT
FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2016



RECEIVED

By the Office of the State Auditor at 3:52 pm, May 18, 2017

CONTENTS

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS.....	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION.....	8
STATEMENT OF ACTIVITIES.....	9
BALANCE SHEET – GOVERNMENTAL FUNDS.....	10
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	11
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS.....	12
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES.....	13
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	14
NOTES TO FINANCIAL STATEMENTS.....	15



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

March 17, 2017

The Board of Directors
Grand River Mosquito Control District
Grand Junction, Colorado

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, 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 basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Grand River Mosquito Control District, as of December 31, 2016, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Board of Directors
Grand River Mosquito Control District
Page Two

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 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.

Chadwick, Steinkirchner, Davis & Co., P.C.

GRAND RIVER MOSQUITO CONTROL DISTRICT

Management's Discussion and Analysis

For the Year Ended December 31, 2016

The Board of Directors of the Grand River Mosquito Control District (the District), offers readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our basic financial statements to better understand the financial position of the District.

In 2015, the District constructed and operated out of a new District headquarters facility. During the 2016 season the District increased the seasonal staff to twenty-three and hired an additional full time Field Supervisor to the staff. In addition, the District Manager gave his notice and the Board of Directors provided oversight until a new Manager was hired.

The service area was monitored for juvenile and adult mosquito activity beginning in April and ending in September of 2016. Pesticide applications were made throughout the given time period in accordance with previously established population thresholds.

Financial Highlights

- The District contracted with Value Enhancement to provide month-to-month, third party financial oversight to the District.
- The District revenue from tax receipts increased from \$2,524,670 in 2015 to \$2,589,830 in 2016.
- As a result of the District payoff of the lease with Wells Fargo Bank for the District's Headquarters Building, the District spent \$1,418,061 more than it received in revenue at the fund level in 2016.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. These components are discussed below.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private sector business. The statement of governmental net position presents information on all of the District's assets, liabilities, and deferred inflows with the difference between assets and liabilities plus deferred inflows reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether financial position is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

In the government-wide financial statements, the District's activities are shown in one category; *governmental activities*. The District's activities are principally supported by property taxes.

The government-wide financial statements can be found on pages 8 and 9.

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The District has a general fund only.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the General Fund balance sheet and the General Fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The District has only one governmental fund—the General Fund. The District's General Fund's financial statements can be found on pages 10 and 12.

An annual appropriated budget is adopted for the General Fund. A budgetary comparison statement on page 14 has been provided for the fund to demonstrate compliance with the budget.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the basic financial statements can be found on pages 15 through 23.

Government-wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of the government's financial position. In this case, the District's assets exceeded its liabilities and deferred inflows by \$6,353,963 as of December 31, 2016.

The following summarizes the District's net position as of December 31:

	<u>2016</u>	<u>2015</u>
Assets		
Current and other assets.....	\$4,012,361	\$5,424,280
Capital assets	<u>4,707,471</u>	<u>4,698,853</u>
Total Assets	<u>8,719,832</u>	<u>10,123,133</u>
Liabilities		
Current liabilities	16,622	367,783
Long-term liabilities	<u>7,683</u>	<u>2,172,248</u>
Total Liabilities	<u>24,305</u>	<u>2,540,031</u>
Deferred Inflows		
Property taxes.....	<u>2,341,564</u>	<u>2,300,966</u>
Net Position		
Net investment in capital assets.....	4,707,471	2,228,929
Restricted for emergencies	78,116	75,792
Unrestricted	<u>1,568,376</u>	<u>2,977,415</u>
Net Position	<u>\$6,353,963</u>	<u>\$5,282,136</u>

The majority of the District's current assets are invested in cash and cash equivalents and a receivable for property taxes. The District has been able to provide for adequate operations without incurring debt. Restricted net assets of \$78,116 represent a 3% emergency reserve required by an amendment to the State constitution (TABOR) and are not available for use by the District.

The following summarizes the change in the District's net position for the year ended December 31:

	<u>2016</u>	<u>2015</u>
Revenues		
General revenues:		
Taxes	\$ 2,589,830	\$ 2,524,670
Earnings on deposits	14,014	1,729
Gain on disposal of assets and miscellaneous	14,500	-
Total Revenues	<u>2,618,344</u>	<u>2,526,399</u>
Expenses		
Chemicals and supplies	532,537	556,399
Payroll	566,904	529,076
Other general and administrative	447,076	431,518
Total Expenses	<u>1,546,517</u>	<u>1,516,993</u>
Change in Net Position	1,071,827	1,009,406
Net Position - January 1	<u>5,282,136</u>	<u>4,272,730</u>
Net Position - December 31	<u>\$ 6,353,963</u>	<u>\$ 5,282,136</u>

Nearly all of the District's revenue was from property and specific ownership taxes. The only other income consists of earnings on deposits and a gain on disposal. The District's financial position improved during 2016 with a change in net position of \$1,071,827 which occurred primarily due to the increase in revenue beginning in 2013.

Governmental Funds Financial Analysis

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance related legal requirements.

The focus of governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The District maintains only one governmental fund, the General Fund, which is the District's operating fund. The General Fund had a fund balance of \$1,654,175 as of December 31, 2016, a decrease of \$1,418,061. The decrease in fund balance occurred due to the payoff of the capital lease purchase agreement related to the District Headquarters Building project.

The unassigned portion of the fund balance in the amount of \$1,538,382 is available for spending. The District's required 3% reserve for emergencies is set at \$78,116 at December 31, 2016.

General Fund Budgetary Highlights

- 2016 actual revenues exceeded budgeted by \$8,237 because more specific ownership taxes were received than anticipated
- 2016 actual expenditures were less than budgeted by \$1,584,289 because budgeted contingency and reserve funds were not needed, and because chemical, administrative expenditures and capital outlay were less than anticipated

Capital Assets and Long-Term Debt

Capital assets, net of accumulated depreciation, increased by \$8,618 in 2016 due primarily to the purchase and trade-in of fleet vehicles.

Long-term debt changed significantly as the capital lease purchase agreement for the District Headquarters Building Project was paid in full in December of 2016.

Economic Factors and Next Year's Budget

The District will hire one (1) new full time employee in 2017. This will increase the full time staff to a total of five employees and increase the payroll for the District by 25%. The District will also purchase the equipment and support materials to support the expanded rolls of the increased staff.

The cost of fuel, labor, and larviciding materials continue to rise yet the District has been able to provide services without a raise in the mill levy. The District anticipates that revenue from the service area will exceed the cost of operations. The District does not anticipate the need to seek an increase in the mill levy in 2017.

Request for Information

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to the District Board of Directors; Grand River Mosquito Control District; 531 Maldonado Street; Grand Junction, CO 81501. Interested citizens can also visit our website at www.grmcd.net.

Grand River Mosquito Control District

STATEMENT OF NET POSITION

December 31, 2016

		<u>Governmental Activities</u>
ASSETS		
Cash		\$ 1,013,401
Investments		592,004
Receivables		
Due from other government		27,715
Property taxes		2,341,564
Prepaid expenses		37,677
Capital assets, net of accumulated depreciation		<u>4,707,471</u>
Total Assets		<u>8,719,832</u>
LIABILITIES		
Accounts payable		8,536
Accrued payroll		8,086
Accrued compensated absences		7,683
Total Liabilities		<u>24,305</u>
DEFERRED INFLOWS		
Property taxes		<u>2,341,564</u>
Total Deferred Inflows		<u>2,341,564</u>
Total Liabilities and Deferred Inflows		<u>2,365,869</u>
NET POSITION		
Net investment in capital assets		4,707,471
Restricted for emergencies		78,116
Unrestricted		<u>1,568,376</u>
Total Net Position		<u><u>\$ 6,353,963</u></u>

The accompanying notes are an integral part of this statement.

Grand River Mosquito Control District

STATEMENT OF ACTIVITIES

Year ended December 31, 2016

Function/Programs	Expenses	Program Revenues			Total Governmental Activities
		Charges for Services	Operating Grants and Contribution	Capital Grants and Contribution	
Governmental activities:					
Public health	\$ 1,411,027	\$ -	\$ -	\$ -	\$ (1,411,027)
Interest on long-term debt	135,490	-	-	-	(135,490)
Total governmental activities	<u>\$ 1,546,517</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	(1,546,517)
General revenues:					
Property taxes					2,294,586
Specific ownership taxes					295,244
Gain on disposal of capital assets					14,500
Investment income					14,014
Total general revenues					<u>2,618,344</u>
Change in net position					1,071,827
Net position - beginning					<u>5,282,136</u>
Net position - ending					<u>\$ 6,353,963</u>

The accompanying notes are an integral part of this statement.

Grand River Mosquito Control District

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2016

	General	Total Governmental Funds
ASSETS		
Cash	\$ 1,013,401	\$ 1,013,401
Investments	592,004	592,004
Receivables		
Due from other government	27,715	27,715
Property taxes	2,341,564	2,341,564
Prepaid expenses	37,677	37,677
Total Assets	<u>\$ 4,012,361</u>	<u>\$ 4,012,361</u>
LIABILITIES, DEFERRED INFLOWS, AND FUND EQUITY		
Liabilities		
Accounts payable	\$ 8,536	\$ 8,536
Accrued payroll	8,086	8,086
Total Liabilities	<u>16,622</u>	<u>16,622</u>
Deferred inflows		
Property taxes	2,341,564	2,341,564
Total Deferred Inflows	<u>2,341,564</u>	<u>2,341,564</u>
Fund equity		
Nonspendable	37,677	37,677
Restricted for emergencies	78,116	78,116
Unassigned	1,538,382	1,538,382
Total Fund Equity	<u>1,654,175</u>	<u>1,654,175</u>
Total Liabilities, Deferred Inflows, and Fund Equity	<u>\$ 4,012,361</u>	<u>\$ 4,012,361</u>

The accompanying notes are an integral part of this statement.

Grand River Mosquito Control District

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

December 31, 2016

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balance - governmental funds	\$ 1,654,175
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,707,471
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds. This is the compensated absences liability as of year-end.	<u>(7,683)</u>
Net Position of Governmental Activities	<u><u>\$ 6,353,963</u></u>

The accompanying notes are an integral part of this statement.

Grand River Mosquito Control District

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS

Year ended December 31, 2016

	General	Total Governmental Funds
Revenues		
Property taxes	\$ 2,294,586	\$ 2,294,586
Specific ownership taxes	295,244	295,244
Investment income	14,014	14,014
Total revenues	<u>2,603,844</u>	<u>2,603,844</u>
Expenditures		
Public health	1,275,366	1,275,366
Debt service		
Principal	2,469,924	2,469,924
Interest	135,490	135,490
Capital outlay	141,125	141,125
Total expenditures	<u>4,021,905</u>	<u>4,021,905</u>
Excess of Revenues Over (Under) Expenditures	(1,418,061)	(1,418,061)
Fund Balance - beginning	<u>3,072,236</u>	<u>3,072,236</u>
Fund Balance - ending	<u>\$ 1,654,175</u>	<u>\$ 1,654,175</u>

The accompanying notes are an integral part of this statement.

Grand River Mosquito Control District

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES

Year ended December 31, 2016

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

Net Change in Fund Balances - Governmental Funds \$ (1,418,061)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded (was less than) depreciation in the current period (\$140,076 - \$145,958). (5,882)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins or donations) is to increase (decrease) net position 14,500

Governmental funds report capital lease principal payments as other expenditures. However, in the statement of net position the principal payments reduce the liability. 2,469,924

Governmental funds do not record the amount of interest and fees on long-term debt that has accrued since the end of the year. However, these liabilities are reported in the statement of net position and the related expense is reported in the statement of activities. This is the amount by which accrued interest and fees changed from the prior year. 5,763

Governmental funds do not report accrued compensated absences as part of expenditures. However, they are reported as expenses in the statement of activities. This is the amount accrued compensated absences changed from the prior year. 5,583

Change in Net Position of Governmental Activities \$ 1,071,827

The accompanying notes are an integral part of this statement.

Grand River Mosquito Control District

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND

Year ended December 31, 2016

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 2,309,107	\$ 2,294,586	\$ (14,521)
Specific ownership taxes	285,000	295,244	10,244
Investment income	1,500	14,014	12,514
Total revenues	2,595,607	2,603,844	8,237
Expenditures			
Public health			
Chemicals	597,000	453,230	143,770
Personnel	623,760	566,904	56,856
Field equipment, supplies, and truck expenditures	127,600	79,307	48,293
Treasurer's fees	46,200	45,895	305
Insurance	23,000	23,548	(548)
Office and administrative	571,050	91,021	480,029
Promotion and public education	40,000	15,461	24,539
Debt service			
Interest expense	80,000	135,490	(55,490)
Principal reduction	299,000	2,469,924	(2,170,924)
Capital outlay	2,491,000	141,125	2,349,875
General contingency	632,231	-	632,231
Emergency reserves	75,353	-	75,353
Total expenditures	5,606,194	4,021,905	1,584,289
Excess of Revenues Over (Under) Expenditures	(3,010,587)	(1,418,061)	1,592,526
Fund Balance - January 1	3,010,587	3,072,236	61,649
Fund Balance - December 31	\$ -	\$ 1,654,175	\$ 1,654,175

The accompanying notes are an integral part of this statement.

Grand River Mosquito Control District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

The Grand River Mosquito Control District (the District) was established in 1981 as a special district under Colorado Revised Statutes to provide mosquito and other pest control services for members of the District. The District is governed by a five member board of directors elected by the District's property owners.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

2. Reporting Entity

The financial statements include the District and the Grand River Mosquito Control District Financial Corporation (a nonprofit separate legal entity) created by the District in 2014. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth by GASB in its Statement 61, *"The Financial Reporting Entity: Omnibus and Amendment of GASB Statements 14 and 34"*. The Grand River Mosquito Control District Financial Corporation is included in the District's reporting entity as a blended component unit under GASB 61 because of significant operational or financial relationships.

3. Government-wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Currently, the District has only governmental activities.

Government-wide Financial Statements

In the government-wide Statement of Net Position, the governmental activities columns are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations and deferred inflows of resources. The District's net position is reported as net investment in capital assets, restricted for emergencies, and unrestricted.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Grand River Mosquito Control District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self balancing accounts that comprises its assets, liabilities, deferred inflows, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

4. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District currently has one General Fund, which is a governmental fund.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, liabilities, and deferred inflows is reported as fund balance.

The District reports the following major governmental fund:

General Fund – The General Fund is used to account for all financial resources of the District except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Colorado and the bylaws of the District.

5. Measurement Focus and Basis of Accounting

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements.

Long-Term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

Grand River Mosquito Control District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on long-term debt, if any, is recognized when due.

6. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

7. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The budget for the governmental fund is adopted on a basis consistent with GAAP.

As required by Colorado statutes, the District followed the timetable below in approving and enacting a budget for the ensuing years:

- (1) For the 2016 budget year, prior to August 23, 2015, the County Assessor sent the District the assessed valuation of all taxable property within the District's boundaries.
- (2) On or before October 15, 2015, the District's accountant submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
- (3) The Board held a public hearing on the proposed budget and capital program no later than 45 days prior to the close of the fiscal year.
- (4) For the 2016 budget, prior to December 15, 2015, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.

Grand River Mosquito Control District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- (5) For the 2016 budget, the final budget and appropriating resolution was adopted prior to December 31, 2015.
- (6) After adoption of the budget resolution, the District may make the following changes: a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; b) supplemental appropriations to the extent of revenues in excess of those estimated in the budget; c) emergency appropriations; and d) reduction of appropriations for which originally estimated revenues are insufficient.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year end.

8. Capital Assets

Capital assets are reported in the applicable governmental activities columns in the Government-wide Financial Statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are completed for amounts of \$1,200 or greater.

Depreciation is computed using the straight-line method over estimated useful lives, as follows:

	<u>Estimated Lives</u>
Buildings and improvements	7 to 39 years
Vehicles	5 to 8 years
Equipment and furniture	5 to 10 years

9. Property Taxes

Property taxes are not due and payable until after the assessment year has ended, and are not included in the budget or Statement of Revenues, Expenditures, and Changes in Fund Balance of the assessment year. Property taxes are recorded as deferred inflows in the year they are levied and measurable. Property tax revenues are recorded as revenue in the year they are available or collected. Property taxes are levied on or before December 15 of each year and attach as an enforceable lien on the property on January 1. Taxes are payable in full on April 30 or in two installments on February 28 and June 15.

10. Compensated Absences

Employees accrue paid personal time at varying rates based on the length of their employment with the District.

Grand River Mosquito Control District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE B – CASH AND INVESTMENTS

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. As of December 31, 2016, the District had cash deposits of \$1,015,091 of which \$271,082 was covered by federal depository insurance. The remainder was covered by PDPA.

Investments

Colorado state statutes authorize the District to invest in U.S. Treasury bills, obligations of any other U.S. agencies, obligations of the World Bank, general obligation bonds of any state or any of their subdivisions, revenue bonds of any state or any of their subdivisions, bankers acceptance notes, commercial paper, repurchase agreements, money market funds and guaranteed investment contracts. All investments must be held by the District, in their name, or in custody of a third party on behalf of the local government.

As of December 31, 2016, the District had \$592,004 invested in the Colorado Local Government Liquid Asset Trust, (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. A designated custodial bank provides safekeeping and depository services to Colotrust in connection with the direct investment and withdrawal functions of Colotrust. Substantially all securities owned by Colotrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by Colotrust. Colotrust funds carry a Standard & Poor's AAAM rating. There is no custodial, interest rate or foreign currency risk exposure.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ColoTrust	\$ -	\$592,004	\$ -	\$592,004

Grand River Mosquito Control District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE C – CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance <u>12/31/15</u>	<u>Additions</u>	<u>Dispositions</u>	Balance <u>12/31/16</u>
Capital assets not being depreciated				
Land	\$ 363,000	\$ –	\$ –	\$ 363,000
Capital assets being depreciated				
Buildings and improvements	4,135,013	–	–	4,135,013
Vehicles	495,990	154,576	(62,644)	587,922
Computers and office equipment	101,565	–	–	101,565
Fixtures and lab equipment	72,867	–	–	72,867
Less: accumulated depreciation	<u>(469,582)</u>	<u>(145,958)</u>	<u>62,644</u>	<u>(552,896)</u>
Capital assets being depreciated, net	<u>4,335,853</u>	<u>8,618</u>	<u>–</u>	<u>4,344,471</u>
Capital assets, net	<u>\$ 4,698,853</u>	<u>\$ 8,618</u>	<u>\$ –</u>	<u>\$ 4,707,471</u>

Depreciation expense was charged to functions/programs as follows:

Public health	<u>\$ 145,958</u>
Total depreciation expense – governmental activities	<u>\$ 145,958</u>

NOTE D – LONG-TERM DEBT

Changes in long-term obligations for the year ended December 31, 2016 are as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Reductions</u>	Ending <u>Balance</u>
Capital lease payable	\$ 2,469,924	\$ –	\$2,469,924	\$ –
Compensated absences	<u>13,266</u>	<u>–</u>	<u>5,583</u>	<u>7,683</u>
	<u>\$ 2,483,190</u>	<u>\$ –</u>	<u>\$2,475,507</u>	<u>\$ 7,683</u>

NOTE E – CAPITAL LEASE

The District entered into a lease financing agreement for the construction of a new facility in 2013. This agreement required the District to form a District Finance Corporation (a nonprofit entity) to enter into the transaction with the lender bank. Under the agreement the District Finance Corporation issued Tax Exempt Lease Purchase Revenue Bonds Series 2013 which have been purchased by the bank. The new facility is collateral for the Lease Purchase Revenue Bonds. The arrangement is also subject to a Lease Covenant Agreement with the lender bank which includes a minimum liquidity covenant of \$500,000. Payments are due quarterly and began December 2014. The capital lease was repaid in full during 2016.

The assets acquired through capital leases are as follows:

Building	\$ 2,755,217
Accumulated depreciation	<u>(110,209)</u>
	<u>\$ 2,645,008</u>

Grand River Mosquito Control District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE F – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and general liability. The District is a member of the Colorado Special District Property and Liability Pool (“Pool”) for property and liability insurance.

The Pool was formed by an intergovernmental agreement to provide public officials, property, general and automobile liability coverage for claims up to \$1,000,000, except if the claim falls within the government immunity statute, then the coverage is \$150,000 per person and a \$600,000 aggregate claim. The Pool is reinsured for 80% of the first \$250,000 of all claims and 100% for claims in excess of \$250,000. The District may be required to make additional contributions in the event aggregate losses incurred by the Pool exceed amounts recoverable from reinsurance contracts. Any excess funds, which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula. Any settled claims are not expected to exceed coverage. A summary of audited statutory basis financial information for the Pool as of and for the year ended December 31, 2015 (latest information available) is as follows:

Assets	<u>\$ 44,054,744</u>
Liabilities	\$ 24,739,781
Capital and surplus	<u>19,314,963</u>
Total	<u>\$ 44,054,744</u>
Revenues	\$ 16,356,266
Investment income and other	<u>205,186</u>
Total revenue	<u>16,561,452</u>
Expenses	<u>14,839,993</u>
Excess of revenues over expenses	<u>\$ 1,721,459</u>

NOTE G – TABOR AMENDMENT

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer’s Bill of Rights (“TABOR”). TABOR contains revenue, spending, tax and debt limitations which apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that of the prior year, extension of any expiring tax, or tax policy change directly causing a new tax revenue gain to any local government. Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple fiscal year or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in future years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of the fiscal year spending (excluding bonded debt service) for fiscal years ended after December 31, 1992. At December 31, 2016, a reserve of \$78,116 was required.

Grand River Mosquito Control District
NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE G – TABOR AMENDMENT – CONTINUED

Under TABOR, future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

In 1997 the District's electorate voted to allow the District to collect, retain, and expend revenues notwithstanding any of TABOR's restrictions.

TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the provisions of TABOR.

NOTE H – FUND BALANCE

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints.

- *Non-spendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid expense) or is legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.
- *Committed fund balance* - The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board.
- *Assigned fund balance* - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board or other individuals authorized to assign funds to be used for a specific purpose.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the above criteria. The District will only report a positive unassigned fund balance in the General Fund.

Unrestricted fund balance will be used in the following order: committed, assigned, and unassigned. When both restricted and unrestricted funds are available for expenditure, restricted funds are used first.

Grand River Mosquito Control District

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE I – DEFINED CONTRIBUTION PLAN

The District provides retirement benefits for all of its full-time employees through a defined contribution plan administered by the Colorado County Officials and Employees Retirement Association (CCOERA). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Under the defined contribution retirement plan, the District is required to contribute to the plan an amount equal to the amount directed by each participant with a minimum of 3% and a maximum of 6% of the compensation of the participant. Employees are eligible to participate in the plan upon the first day of the payroll period after the employee's date of hire. The plan provides retirement benefits based upon the employee's vested account. A participant becomes 100% vested upon completion of five years of covered service. Amounts forfeited by employees who leave employment before they become fully vested are applied to reduce future employer contributions. Under the plan, employees direct the investment of both the employee and employer contributions among several investment options available through an outside plan administrator. For the year ended December 31, 2016, the employer contributions to the plan were \$13,340.

NOTE J – DEFERRED COMPENSATION PLAN

District employees may defer a portion of their compensation under a District sponsored Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. Under this plan, participants are not taxed on the deferred portion of their compensation until it is distributed to them; distributions may be made only at termination, retirement, or death. The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of Plan participants and their beneficiaries. Since the assets held under these plans are not the District's property and are not subject to District control, they have been excluded from these financial statements.