

Animas Mosquito Control District

Financial Statements

December 31, 2018

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Independent Auditor's Report

Board of Directors
Animas Mosquito Control District
Durango, CO

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

The District's 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 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 basis for our audit opinions.

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 each major fund of the District, as of December 31, 2018 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary information on pages 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.

Management has elected to not include the 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 the management's discussion and analysis 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.

rfarmer, llc

March 19, 2019

**Animas Mosquito Control District
Statement of Net Position
December 31, 2018**

	Governmental Activities	Total
ASSETS		
Cash and Equivalents	\$ 2,032,634	\$ 2,032,634
Receivables	686,346	686,346
Due from Other Governmental Agencies	1,178	1,178
Inventories	130,383	130,383
Other assets--Prepaid Expenses	22,449	22,449
Capital Assets		
Buildings	210,926	210,926
Equipment	636,871	636,871
Vehicles	315,391	315,391
Less: Accumulated Depreciation	(430,441)	(430,441)
Total Capital Assets	732,747	732,747
Total Assets	3,605,737	3,605,737
LIABILITIES		
Accounts payable and accrued expenses	2,566	2,566
Total liabilities	2,566	2,566
Deferred cash inflow of resources:		
Deferred Property taxes	677,718	677,718
NET POSITION		
Net investment in capital assets	732,747	732,747
Restricted for:		
Emergency reserves	24,924	24,924
Unrestricted	2,167,782	2,167,782
Total net position	\$ 2,925,453	\$ 2,925,453

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

**Animas Mosquito Control District
Balance Sheet
Governmental Funds
December 31, 2018**

	General	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 2,032,634	\$ 2,032,634
Taxes receivable, net	686,346	686,346
Receivable from other governments	1,178	1,178
Other receivables	22,449	22,449
Inventories	130,383	130,383
Total assets	2,872,990	2,872,990
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	2,566	2,566
Total liabilities	2,566	2,566
 Deferred cash inflow of resources:		
Deferred property taxes	677,718	677,718
 Fund balance:		
Restricted for:		
Inventories	130,383	130,383
Emergency reserves	24,924	24,924
Prepaid expenses	22,449	22,449
Unassigned	2,014,950	2,014,950
Total fund balance	2,192,706	2,192,706
Total liabilities and fund balance	\$ 2,872,990	\$ 2,872,990

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

Animas Mosquito Control District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2018

Total fund balance, governmental funds \$ 2,192,706

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. 732,747

Net Assets of Governmental Activities in the Statement of Net Position \$ 2,925,453

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

Animas Mosquito Control District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	<u>General</u>	<u>Total Governmental Funds</u>
REVENUES		
Property Taxes	\$ 667,404	\$ 667,404
SO Tax	72,963	72,963
Investment earnings	2,890	2,890
Miscellaneous	1,148	1,148
Gifts and grants	51,898	51,898
Total revenues	<u>796,303</u>	<u>796,303</u>
EXPENDITURES		
General Government:		
Education	7,249	7,249
Insurance	27,725	27,725
Shipping	360	360
Surveillance	6,473	6,473
Administration:		
Advertising	383	383
County treasurers' fees	20,052	20,052
Occupancy expense	8,099	8,099
Office expense	17,060	17,060
Professional fees	13,203	13,203
Mosquito Control Activities:		
Equipment expenses	28,769	28,769
Spraying	101,835	101,835
Personnel	377,159	377,159
Vehicle expense	25,513	25,513
Capital outlay	68,987	68,987
Total Expenditures	<u>702,867</u>	<u>702,867</u>
Excess (deficiency) of revenues over expenditures	<u>93,436</u>	<u>93,436</u>
SPECIAL ITEM		
Proceeds from sale of assets	34,500	34,500
Net change in fund balances	127,936	127,936
Fund balances - beginning	2,064,770	2,064,770
Fund balances - ending	<u>\$ 2,192,706</u>	<u>\$ 2,192,706</u>

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

Animas Mosquito Control District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2018

Net change in fund balances - total governmental funds: \$ 127,936

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlay of \$68,987 was more than depreciation of \$34,602 in the current period. 34,385

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the undepreciated basis of the asset sold. (36,298)

Change in fund balances of governmental activities \$ 126,023

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

**Animas Mosquito Control District
Notes to the Financial Statements
December 31, 2018**

Note 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.

Note 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

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. 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.

Prepaid Amounts

Payments made for services that will benefit periods beyond the end of the current year are recorded as prepaid items.

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

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, 2018 was \$2,157.

Net Position/Fund Balance

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.

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 or revenues and expenses during the reported period. Actual results could differ from those estimates.

Note 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 1, 2018, \$2,032,635 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, 2018, the District had not adopted a formal deposit and investment policy.

Note 4 Capital Assets

A summary of changes in capital assets follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Buildings and land	\$ 105,463	\$ -	\$ -	\$ 105,463
Totals	105,463	-	-	105,463
Less accumulated depreciation	(60,928)	(2,953)	-	(63,881)
Net governmental activities	44,535	(2,953)	-	41,582
Mosquito spraying activities:				
Machinery and equipment	284,765	33,670	-	318,435
Vehicles	169,987	35,317	(47,608)	157,696
Totals	454,752	68,987	(47,608)	476,131
Less accumulated depreciation	(346,221)	(31,649)	11,310	(366,560)
Net mosquito spraying activities	108,531	37,338	(36,298)	109,571
Net property, plant and equipment	\$ 153,066	\$ 34,385	\$ (36,298)	\$ 151,153

Depreciation expense for the year ended December 31, 2018 was \$39,602. Of this amount, \$2,953 was charged to general governmental activities and \$31,649 was charged to mosquito control activities.

Note 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 percent 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 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 percent limitation was also requested. The requests were approved by the District's voters.

Note 6 Related Party Transactions

The following related party transactions occurred in 2018:

- A. The life insurance premiums are paid to New Your 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.

Note 7 Risk Management

The District is exposed to various risks of loss related to torts; thefts of, damages to, or destruction of assets; error 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.

Note 8 Joint Venture

The District is a participant in the Colorado Special Districts' Property and Liability Pool (the Pool). The Pool is a joint venture between the Special District 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 metropolitan area and (800) 866-1733 from outside the metropolitan 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>

Note 9 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 \$24,924.

Non-spendable fund balances consist of inventory of \$130,383 and prepaid expenses of \$22,449.

Required Supplementary Information

**Animas Mosquito Control District
Budget and Actual
General
For the year ended December 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts, Budgetary Basis</u>
	<u>Original</u>	<u>Final</u>	
REVENUES			
Property taxes	\$ 675,530	\$ 675,530	\$ 667,404
SO taxes	30,000	30,000	72,963
Gifts and grants	20,000	20,000	51,898
Investment earnings	1,000	1,000	2,890
Miscellaneous	-	-	1,148
Total revenues	<u>726,530</u>	<u>726,530</u>	<u>796,303</u>
EXPENDITURES			
General Government:			
Education	7,030	7,030	7,249
Insurance	25,000	25,000	27,725
Shipping	750	750	360
Surveillance	8,000	8,000	6,473
Administration:			
Advertising	1,000	1,000	383
County treasurers' fees	14,500	14,500	20,052
Occupancy expense	8,000	8,000	8,099
Office expense	11,720	11,720	17,060
Professional fees	9,000	9,000	13,203
Mosquito Control Activities:			
Equipment expenses	20,000	20,000	28,769
Spraying	219,000	219,000	101,835
Personnel	401,950	401,950	377,159
Vehicle expense	19,500	19,500	25,513
Capital outlay	20,000	20,000	68,987
Contingency	700,000	700,000	-
Total other financing sources and uses	<u>1,465,450</u>	<u>1,465,450</u>	<u>702,867</u>
SPECIAL ITEM			
Proceeds from sale capital assets	-	-	34,500
Net change in fund balances	<u>(738,920)</u>	<u>(738,920)</u>	<u>127,936</u>
Fund balances - beginning	738,920	738,920	2,064,770
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,192,706</u>

**Animas Mosquito Control District
Notes to Required Supplementary Information
December 31, 2018**

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 basis 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. No supplemental appropriations were made in 2018 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, 2018.

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 2018, the District appropriated \$1,465,450 and spent \$702,867.

Budget appropriations lapse at the end of each year.