



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

December 31, 2018

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

April 18, 2019

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, 2018, 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, 2018, 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  
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**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, 2018

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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, 2018. 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 2018, the District adopted a Statement of Purpose that records the events that have occurred in the last 35 years and consolidates all expansions and pertinent information in one document. The District also updated the Bylaws which provide guidelines for the conduct of the Board of Directors.

The service area was monitored for juvenile and adult mosquito activity beginning in April and ending in September of 2018. Pesticide applications were made, consistent with Federal and State standards, throughout the given time period in accordance with previously established population thresholds.

### Financial Highlights

- The Board adopted a formal investment policy that provides clear, consistent guidelines for the investment of District Funds. The District also selected United Capital Financial Advisors to assist in managing the District fund balances.
- The District contracted with Value Enhancement to provide month-to-month, third party financial oversight to the District.
- The Board of Directors and staff updated and adopted a twenty-year financial plan.
- The District revenue from tax receipts decreased from \$2,672,610 in 2017, to \$2,575,564 in 2018 due to the reduction of 4% in the mill levy.

### 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 24.

## 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 \$8,375,546 as of December 31, 2018.

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

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Current and other assets.....	<b>\$5,910,473</b>	\$4,934,388
Capital assets .....	<b><u>4,767,044</u></b>	<u>4,754,146</u>
<b>Total Assets</b>	<b><u>10,677,517</u></b>	<u>9,688,534</u>
<b>Liabilities</b>		
Current liabilities .....	<b>18,469</b>	18,841
Long-term liabilities .....	<b><u>15,935</u></b>	<u>13,070</u>
<b>Total Liabilities</b>	<b><u>34,404</u></b>	<u>31,911</u>
<b>Deferred Inflows</b>		
Property taxes.....	<b><u>2,267,567</u></b>	<u>2,245,633</u>
<b>Net Position</b>		
Net investment in capital assets.....	<b>4,767,044</b>	4,754,146
Restricted for emergencies .....	<b>79,722</b>	80,866
Unrestricted .....	<b><u>3,528,780</u></b>	<u>2,575,978</u>
<b>Net Position</b>	<b><u>\$8,375,546</u></b>	<u>\$7,410,990</u>

The majority of the District's current assets are invested in cash and investments and a receivable for property taxes. The District has been able to provide for adequate operations without incurring debt. Restricted net assets of \$79,722 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>2018</u>	<u>2017</u>
<b>Revenues</b>		
Program revenues:		
Capital grants and contributions .....	\$ 4,852	\$ --
General revenues:		
Taxes .....	2,575,564	2,672,610
Earnings on deposits.....	76,022	22,922
Gain on disposal of assets and miscellaneous .....	<u>25,359</u>	<u>--</u>
<b>Total Revenues</b>	<u>2,681,797</u>	<u>2,695,532</u>
<b>Expenses</b>		
Chemicals and supplies .....	641,794	661,579
Payroll.....	705,320	647,692
Other general and administrative .....	<u>370,127</u>	<u>329,234</u>
<b>Total Expenses</b>	<u>1,717,241</u>	<u>1,638,505</u>
<b>Change in Net Position</b>	<b>964,556</b>	<b>1,057,027</b>
<b>Net Position - January 1</b> .....	<u>7,410,990</u>	<u>6,353,963</u>
<b>Net Position - December 31</b> .....	<u>\$ 8,375,546</u>	<u>\$ 7,410,990</u>

Nearly all of the District's revenue was from property and specific ownership taxes. The only other revenues consist of earnings on deposits and a small capital grant. The District's financial position improved during 2018 with a change in net position of \$964,556 which occurred primarily because the operational expenses associated with the election, labor, and chemicals were all less than anticipated.

### 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 \$3,624,437 as of December 31, 2018, an increase of \$954,523. The increase in fund balance occurred primarily because the operational expenses associated with the election, labor, and chemicals were all less than anticipated.

The unassigned portion of the fund balance in the amount of \$3,544,715 is available for spending. The District's required 3% reserve for emergencies is set at \$79,722 at December 31, 2018.

### **General Fund Budgetary Highlights**

- 2018 actual revenues exceeded budgeted by \$201,756 because more was received from specific ownership taxes and investment income than anticipated
- 2018 actual expenditures were less than budgeted by \$3,380,271 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 \$37,489 in 2018 due primarily to the purchase and trade-in of fleet vehicles.

The District had no long-term debt during 2018.

### **Economic Factors and Next Year's Budget**

The local economy continues to grow, in large part due to the construction of new homes and with that, a growth in population within the District. As a result, the District will seek to hire additional seasonal staff in 2019 to cover this increase in population and to begin treating several large agricultural properties that were included in the District in 2017. The District will also purchase the equipment and support materials needed for the increased staffing levels.

### **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](http://www.grmcd.net).

Grand River Mosquito Control District

STATEMENT OF NET POSITION

December 31, 2018

		<u>Governmental Activities</u>
<b>ASSETS</b>		
Cash		\$ 241,473
Investments		3,323,420
Receivables		
Due from other government		28,466
Property taxes		2,267,567
Other receivables		11,071
Prepaid expenses		38,476
Capital assets, net of accumulated depreciation		<u>4,767,044</u>
 Total Assets		 <u>10,677,517</u>
<b>LIABILITIES</b>		
Accounts payable		8,154
Accrued payroll		10,315
Accrued compensated absences		<u>15,935</u>
Total Liabilities		34,404
<b>DEFERRED INFLOWS</b>		
Property taxes		<u>2,267,567</u>
Total Deferred Inflows		<u>2,267,567</u>
 Total Liabilities and Deferred Inflows		 <u>2,301,971</u>
<b>NET POSITION</b>		
Net investment in capital assets		4,767,044
Restricted for emergencies		79,722
Unrestricted		<u>3,528,780</u>
 Total Net Position		 <u><u>\$ 8,375,546</u></u>

The accompanying notes are an integral part of this statement.

Grand River Mosquito Control District

STATEMENT OF ACTIVITIES

Year ended December 31, 2018

Function/Programs	Expenses	Program Revenues			Total Governmental Activities
		Charges for Services	Operating Grants and Contribution	Capital Grants and Contribution	
Governmental activities:					
Public health	\$ 1,717,241	\$ -	\$ -	\$ 4,852	\$ (1,712,389)
Total governmental activities	<u>\$ 1,717,241</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,852</u>	<u>(1,712,389)</u>
General revenues:					
Property taxes					2,242,088
Specific ownership taxes					333,476
Investment income					76,022
Miscellaneous income					200
Gain on sale of assets					25,159
Total general revenues					<u>2,676,945</u>
Change in net position					964,556
Net position - beginning					<u>7,410,990</u>
Net position - ending					<u>\$ 8,375,546</u>

The accompanying notes are an integral part of this statement.

Grand River Mosquito Control District

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2018

	General	Total Governmental Funds
<b>ASSETS</b>		
Cash	\$ 241,473	\$ 241,473
Investments	3,323,420	3,323,420
Receivables		
Due from other government	28,466	28,466
Property taxes	2,267,567	2,267,567
Other receivables	11,071	11,071
Prepaid expenses	38,476	38,476
Total Assets	<u>\$ 5,910,473</u>	<u>\$ 5,910,473</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND EQUITY</b>		
<b>Liabilities</b>		
Accounts payable	\$ 8,154	\$ 8,154
Accrued payroll	10,315	10,315
Total Liabilities	<u>18,469</u>	<u>18,469</u>
<b>Deferred inflows</b>		
Property taxes	2,267,567	2,267,567
Total Deferred Inflows	<u>2,267,567</u>	<u>2,267,567</u>
<b>Fund equity</b>		
Restricted for emergencies	79,722	79,722
Unassigned	3,544,715	3,544,715
Total Fund Equity	<u>3,624,437</u>	<u>3,624,437</u>
Total Liabilities, Deferred Inflows, and Fund Equity	<u>\$ 5,910,473</u>	<u>\$ 5,910,473</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, 2018

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

Total fund balance - governmental funds	\$ 3,624,437
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,767,044
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>(15,935)</u>
Net Position of Governmental Activities	<u>\$ 8,375,546</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, 2018

	General	Total Governmental Funds
Revenues		
Property taxes	\$ 2,242,088	\$ 2,242,088
Specific ownership taxes	333,476	333,476
Miscellaneous income	5,802	5,802
Investment income	76,022	76,022
Total revenues	<u>2,657,388</u>	<u>2,657,388</u>
Expenditures		
Public health	1,556,175	1,556,175
Capital outlay	146,690	146,690
Total expenditures	<u>1,702,865</u>	<u>1,702,865</u>
	Excess of Revenues Over (Under) Expenditures	954,523
	954,523	954,523
Fund Balance - beginning	<u>2,669,914</u>	<u>2,669,914</u>
Fund Balance - ending	<u>\$ 3,624,437</u>	<u>\$ 3,624,437</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, 2018

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

Net Change in Fund Balances - Governmental Funds	\$ 954,523
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 were less than depreciation in the current period (\$146,690 - \$158,201).	(11,511)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins or donations) is to increase (decrease) net position	24,409
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.	<u>(2,865)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 964,556</u></u>

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, 2018

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Property taxes	\$ 2,245,632	\$ 2,242,088	\$ (3,544)
Specific ownership taxes	200,000	333,476	133,476
Miscellaneous income	-	5,802	5,802
Investment income	10,000	76,022	66,022
Total revenues	<u>2,455,632</u>	<u>2,657,388</u>	<u>201,756</u>
<b>Expenditures</b>			
<b>Public health</b>			
Chemicals	671,900	512,986	158,914
Personnel	735,650	705,320	30,330
Field equipment, supplies, and truck expenditures	213,960	128,808	85,152
Treasurer's fees	44,900	44,847	53
Insurance	28,000	28,492	(492)
Office and administrative	238,760	106,907	131,853
Promotion and public education	57,000	28,815	28,185
Capital outlay	267,000	146,690	120,310
General contingency	2,744,922	-	2,744,922
Emergency reserves	81,044	-	81,044
Total expenditures	<u>5,083,136</u>	<u>1,702,865</u>	<u>3,380,271</u>
Excess of Revenues Over (Under) Expenditures	(2,627,504)	954,523	3,582,027
Fund Balance - January 1	2,627,504	2,669,914	42,410
Fund Balance - December 31	<u>\$ -</u>	<u>\$ 3,624,437</u>	<u>\$ 3,624,437</u>

The accompanying notes are an integral part of this statement.

Grand River Mosquito Control District  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Organization**

The Grand River Mosquito Control District (the District) was established in 1982 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 reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity. Based on the criteria above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

**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, 2018

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**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, 2018

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**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 within 60 days of year-end. 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 2018 budget year, prior to August 23, 2017, the County Assessor sent the District the assessed valuation of all taxable property within the District’s boundaries.
- (2) On or before October 15, 2017, 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 2018 budget, prior to December 15, 2017, 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, 2018

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

- (5) For the 2018 budget, the final budget and appropriating resolution was adopted prior to December 31, 2017.
- (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. Investments**

Colorado statutes specify investments meeting defined rating and risk criteria in which local governments may invest, which include:

- Obligations of the United States and certain U.S. government agency securities
- Local government investment pools
- General obligation and revenue bonds of U.S. local government entities
- Certain international agency securities
- Guaranteed investment contracts
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Banker’s acceptances of certain banks
- Certain money market funds

The District’s investment policy does not limit District investments in these. Colorado statutes limit authorized investments to investments having maturities of five years or less, unless the entity’s governing body specifically authorizes longer maturities.

**9. 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

Grand River Mosquito Control District  
NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**10. 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.

**11. Compensated Absences**

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

**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, 2018, the District had cash deposits of \$230,541 which was covered by federal depository insurance. The District also had \$11,156 in cash balances in the Fidelity investment accounts. These amounts and the investments are covered by Securities Investor Protection Act which protects investors for the custody function of brokers, but doesn't protect from declining changes in fair value. Total carrying value of cash deposits was \$ 241,473 at December 31, 2018.

**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, 2018, the District had \$1,323,700 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.

Grand River Mosquito Control District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE B – CASH AND INVESTMENTS – CONTINUED**

Colotrust operates like a 2a-7 external investment pool and investments in the pool are valued at \$1 net asset value (NAV) per share. The underlying investments held by Colotrust are valued at fair value.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles and GASB Statement No. 72. 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 composition, including level under the GASB 72 fair value hierarchy, where applicable, of all cash and investments held by the District at December 31, 2018 is as follows:

	<u>12/31/18</u>
Cash in bank accounts	\$ 241,473
Investment pools	
ColoTrust	1,323,700
U.S. Treasury Notes (Level 1)	605,070
U.S. Federal Agency securities	
Federal Farm Credit Bank (FFCB) (Level 1)	591,660
Federal Home Loan Bank (FHLB) (Level 1)	802,990
	<u>\$ 3,564,893</u>

*Investments in U.S. Treasury securities at December 31, 2018, were as follows:*

<u>Security</u>	<u>Face Amount</u>	<u>CUSIP</u>	<u>Carrying Value</u>
U.S. Treasury note due 9/30/2020	\$ 200,000	9128285B2	\$ 200,750
U.S. Treasury note due 5/15/2021	200,000	912828QN3	202,968
U.S. Treasury note due 8/15/2021	200,000	9128284W7	201,352
<i>Total Federal Treasury securities</i>	<u>\$ 600,000</u>		<u>\$ 605,070</u>

*Investments in U.S. government agency securities at December 31, 2018, were as follows:*

<u>Security</u>	<u>Face Amount</u>	<u>CUSIP</u>	<u>Carrying Value</u>
FFCB note due 10/17/2022	\$ 200,000	3133EJG60	\$ 200,566
FFCB note due 11/1/2022	200,000	3133EJP52	200,532
FFCB note due 11/1/2023	190,000	3133EJP29	190,562
<i>Total Federal Farm Credit Bank</i>	590,000		591,660
FHLB note due 11/13/2020	200,000	3130AFB3	200,480
FHLB note due 10/25/2021	200,000	3130AF4S3	200,598
FHLB note due 4/26/2023	200,000	3130AFA72	201,870
FHLB note due 12/28/2023	200,000	3130AFMF1	200,042
<i>Total Federal Home Loan Bank</i>	<u>800,000</u>		<u>802,990</u>
<i>Total U.S. government agency securities</i>	<u>\$ 1,390,000</u>		<u>\$ 1,394,650</u>

All of the U.S. Treasury and Federal Agency securities held by the District at December 31, 2018 are rated Aaa by Moody's.

Grand River Mosquito Control District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE B – CASH AND INVESTMENTS – CONTINUED**

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to a depositor or investor. To limit credit risk, the District's investment policy limits District investments to obligations of the United States and certain U.S. government agency securities, specified local government investment pools, and general obligation and revenue bonds of United States local government entities.

Custodial credit risk

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the District will not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The District's deposits are either covered by depository insurance or are collateralized under the Colorado Public Deposit Protection Act and are therefore not deemed to be exposed to custodial credit risk. The District's investments are not deemed to be exposed to custodial credit risk because the investments are held by the District or by the District's custody agent in the District's name.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District does not place a limit on the amount that may be invested in any one issuer. Investments amounting to 5% or more in any single issuer of the District's investments total include investment pools, U.S. Treasury securities, securities of the Federal Home Loan Bank, and the Federal Farm Credit Bank. These investments are 40%, 18%, 24%, and 18%, respectively, of the District's total investments at December 31, 2018.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure by coordinating investment maturities with anticipated cash flow requirements, establishing a pattern of rolling maturity dates, and employing a buy-and-hold strategy.

<u>Investment Type</u>	<u>&lt;1 Year</u>	<u>1-2 Years</u>	<u>2-3 Years</u>	<u>3-4 Years</u>	<u>4-5 Years</u>	<u>Total</u>
Deposits	\$ 241,696	\$ –	\$ –	\$ –	\$ –	\$ 241,696
Investment Pools	1,323,700	–	–	–	–	1,323,700
U.S. Treasury Notes	–	200,750	404,320	–	–	605,070
Federal Agency Sec.	–	200,480	200,598	401,098	592,474	1,394,650
	<u>\$1,565,396</u>	<u>\$401,230</u>	<u>\$ 604,918</u>	<u>\$ 401,098</u>	<u>\$ 592,474</u>	<u>\$3,565,116</u>

Grand River Mosquito Control District  
 NOTES TO FINANCIAL STATEMENTS

December 31, 2018

**NOTE C – CAPITAL ASSETS**

A summary of changes in capital assets follows:

	Balance 12/31/17	Additions	Dispositions	Balance 12/31/18
Capital assets not being depreciated				
Land	\$ 363,000	\$ –	\$ –	\$ 363,000
Capital assets being depreciated				
Buildings and improvements	4,135,013	–	–	4,135,013
Vehicles	698,055	195,690	(98,157)	795,588
Computers and office equipment	111,388	–	–	111,388
Fixtures and lab equipment	72,867	–	–	72,867
Less: accumulated depreciation	<u>(626,177)</u>	<u>(158,201)</u>	<u>73,566</u>	<u>(710,812)</u>
Capital assets being depreciated, net	4,391,146	37,489	(24,591)	4,404,044
Capital assets, net	<u>\$ 4,754,146</u>	<u>\$ 37,489</u>	<u>\$ (24,591)</u>	<u>\$ 4,767,044</u>

Depreciation expense was charged to functions/programs as follows:

Public health	<u>\$ 158,201</u>
Total depreciation expense – governmental activities	<u>\$ 158,201</u>

**NOTE D – 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, 2017 (latest information available) is as follows:

Assets	<u>\$ 56,602,888</u>
Liabilities	\$ 30,815,521
Capital and surplus	<u>25,787,367</u>
Total	<u>\$ 56,602,888</u>
Revenues	\$ 20,082,198
Investment income and other	<u>631,496</u>
Total revenue	20,713,694
Expenses	<u>18,721,378</u>
Excess of revenues over expenses	<u>\$ 1,992,316</u>

Grand River Mosquito Control District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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**NOTE E – 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, 2018, a reserve of \$79,722 was required.

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 F – 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.

Grand River Mosquito Control District

NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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**NOTE F – FUND BALANCE**

- *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.

**NOTE G – 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, 2018, the employer contributions to the plan were \$18,291.

**NOTE H – 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.