

Animas Mosquito Control District  
Financial Statements and Independent  
Auditor's Report  
December 31, 2020

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## INDEPENDENT AUDITOR'S REPORT

March 31, 2021

Board of Directors  
Animas Mosquito Control District

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities and the major fund of Animas Mosquito Control District (the "District"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit 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 the major fund of Animas Mosquito Control District as of December 31, 2020, 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.

March 31, 2021

Animas 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 and the budgetary comparison schedule – general fund 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.

 Beckstead & Co., LLC

# ANIMAS MOSQUITO CONTROL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### For the Year Ended December 31, 2020

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#### INTRODUCTION

The Board of Directors of the Animas Mosquito Control District (the District) offers this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2020. We encourage the readers to consider this Management's Discussion and Analysis (MD&A) in conjunction with the District's Basic Financial Statements and Independent Auditor's Report.

The MD&A is an element of the financial reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

#### Background Information

Animas Mosquito Control District is a Colorado district serving an area that approximately covers fifty square miles in La Plata County. The District is governed by an elected five-member Board. The District focuses on an extensive larvae control program, eliminating mosquitoes in their aquatic habitats before they become a health threat or a nuisance. The District is committed to operating in a safe, ecologically sound manner, respecting both the public and private lands that it operates on when carrying out mosquito abatement activities. The service area was monitored for juvenile and adult mosquito activity that began in April and ended in November 2020. Pesticide applications were made, consistent with Federal and State standards, throughout the given period in accordance with previously established population thresholds.

#### FINANCIAL HIGHLIGHTS

- The Board of Directors and staff reviewed, updated and adopted a five-year capital improvement procurement plan.
- The District contracted with FredrickZink & Associates, PC to provide month-to-month, third party financial oversight to the District.
- The District's total assets exceeded its liabilities on December 31, 2020 by \$2,746,577. This represented an increase of \$343,717 from the net position at December 31, 2019. This perspective on net position includes spendable resources as well as the investment in buildings, equipment, vehicles, and other capital assets of \$130,248, restricted for emergencies \$22,832 and unrestricted of \$2,593,497.
- The District's total liabilities increased \$1,163 and deferred inflows of resources increased \$5,444.
- Total general fund expenditures were \$761,082 for the year ended December 31, 2020. This compares with general fund expenditures of \$747,635 for the year ended December 31, 2019. This net increase of \$13,447 is due to increases in personnel and field equipment and supplies expenditures.
- The District's total revenues on the fund financial statements increased from \$778,889 in 2019 to \$1,137,946 in 2020. This increase of \$359,057 is the result of the voter approved tax levy increase.
- As of December 31, 2020, the District's governmental funds reported combined ending fund balances of \$2,616,329, an increase of \$376,864 in comparison to the prior year. The portion of the total fund balance for the General Fund that is unassigned and available for spending at the District's Board of Directors discretion is \$1,111,356. The nonspendable portion includes and \$22,480 of prepaid items and \$96,993 of inventory. The District has committed \$1,362,668 for future capital outlay.

## OVERVIEW OF THE FINANCIAL STATEMENTS

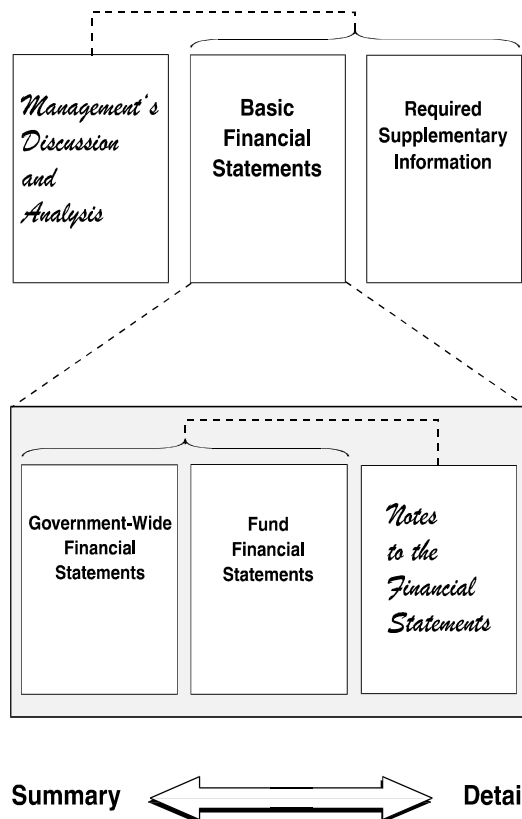
This annual report consists of a series of financial statements and notes to the statements. The statements are organized so the reader can understand the District as a whole and then proceed to provide an increasingly detailed look at specific financial activities.

The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements.

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for the appropriations budget.

The notes to the financial statements provide narrative explanations and additional data needed for full disclosure in the government-wide statements and the fund financial statements.



### Reporting the District as a Whole

#### *Government-wide Financial Statements:*

The analysis of the District's overall financial condition and operations is presented in the Statement of Net Position and the Statement of Activities. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These statements apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as fees received from individuals and entities from outside the District and grants (program revenues), and revenues provided by taxpayers (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non-financial factors as well, such changes in the District's property tax base and condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District is reporting its governmental activities. The District currently has no business-type activities or component units as defined by GASB.

Governmental activities – the District's financial activities center on providing the citizens of the District an extensive mosquito surveillance, larvae control program, eliminating mosquitoes in their aquatic habitats before they become a health threat or a nuisance and mosquito adult control program. The District's revenue consists primarily of funds received from property taxes, specific ownership taxes, and charges for service.

## **Reporting the District's Fund**

### *Fund Financial Statements:*

A fund is a grouping 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 fund financial statements focus on the activities of the District's individual governmental funds and are divided into two parts: 1) the "modified accrual basis statements" and 2) the "budgetary basis statements".

The financial statements on pages 11 and 12 of the audit focuses on assets that can readily be converted into cash in the short term and liabilities that will be settled in the short term. Governmental funds are reported using modified accrual accounting, which recognizes expenditures when the liability is incurred and revenue when measurable and available. The modified accrual accounting method provides a short-term spending focus, which helps the reader assess the amount of financial resources immediately available to finance the District's programs.

The annual budgets shown in the "budgetary basis statements" are prepared as described in the summary of significant accounting policies in the notes to the financial statements. These budgets are presented using the modified accrual basis of accounting and are found in the Required Supplementary Information section.

The "budgetary basis statements" for the General Fund, demonstrate how the District complied with the year's approved budget. The budgetary comparison schedule are presented using the same classifications as those used in the legal budget document.

## **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 13 through 20.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

**Table I**  
**Animas Mosquito Control District**  
**Net Position**  
**December 31, 2020 and 2019**

|                                 | December 31,        |                     | Increase<br>(Decrease) |
|---------------------------------|---------------------|---------------------|------------------------|
|                                 | 2020                | 2019                |                        |
| Current Assets                  | \$ 3,654,018        | \$ 3,270,549        | \$ 383,469             |
| Capital Assets                  | 130,248             | 163,395             | (33,147)               |
| Total Assets                    | <u>3,784,266</u>    | <u>3,433,944</u>    | <u>350,322</u>         |
| Current Liabilities             | <u>8,028</u>        | <u>6,867</u>        | <u>1,161</u>           |
| Deferred Inflows of Resources   | <u>1,029,661</u>    | <u>1,024,217</u>    | <u>5,444</u>           |
| <b>Net Position</b>             |                     |                     |                        |
| Net investment in capital asset | 130,248             | 163,395             | (33,147)               |
| Restricted for emergencies      | 22,832              | 23,832              | (1,000)                |
| Unrestricted                    | 2,593,497           | 2,215,633           | 377,864                |
| Total Net Position              | <u>\$ 2,746,577</u> | <u>\$ 2,402,860</u> | <u>\$ 343,717</u>      |

The majority of the District's current assets are invested in cash, investments and a receivable for property taxes. The District has been able to provide for adequate operations without incurring debt. Restricted net position of \$22,832 represent a 3% emergency reserve required by an amendment to the State constitution (TABOR) and are not available for use by the District.

The majority of the District's revenue was from property and specific ownership taxes. The only other income consists of earnings on deposits and charges for services. The District's net position increased by \$343,717 (see Table II). Unrestricted net position the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements increased \$377,864 from \$2,215,633 in 2019 to \$2,593,497 in 2020 (see Table I).

**Table II**  
**Animas Mosquito Control District**  
**Changes in Net Position**  
**December 31, 2020 and 2019**

|                          | December 31,      |                | Increase<br>(Decrease) |
|--------------------------|-------------------|----------------|------------------------|
|                          | 2020              | 2019           |                        |
| <b>Revenues</b>          |                   |                |                        |
| Program Revenues:        |                   |                |                        |
| Charges for Services     | \$ 27,208         | \$ 32,359      | \$ (5,151)             |
| General Revenues:        |                   |                |                        |
| Property taxes           | 1,004,340         | 670,139        | 334,201                |
| Specific ownership taxes | 102,300           | 73,257         | 29,043                 |
| Interest income          | 4,098             | 3,135          | 963                    |
| Miscellaneous            | -                 | 15,505         | (15,505)               |
| Total Revenues           | <u>1,137,946</u>  | <u>794,395</u> | <u>343,551</u>         |
| <b>Expenses</b>          |                   |                |                        |
| Public health            | <u>794,229</u>    | <u>728,228</u> | <u>66,001</u>          |
| Total Expenses           | <u>794,229</u>    | <u>728,228</u> | <u>66,001</u>          |
| Change in Net Position   | <u>\$ 343,717</u> | <u>66,167</u>  | <u>\$ 277,550</u>      |

### **Fund Financial Analysis**

The District maintains only one governmental fund, the General Fund, which is the District's operating fund. The General Fund as of December 31, 2020 reported a balance of \$2,616,329, of the funds \$119,473 is nonspendable, and \$1,362,668 is committed. The District's required 3% reserve for emergencies is \$22,832. The remaining fund balance of \$1,111,356 is available for future commitments and is unassigned fund balance. The increase in fund balance occurred primarily because of the delay of the facility expansion and deferred procurement of equipment.

The District receives 88 % of its funding from property taxes, 9% from specific ownership taxes and 2% from charges for services. Personnel expenditures represent 48% of the District's total expenditures.

### **Budgetary Highlights**

The Board of Director's did not revise the District's budget. Total 2020 actual revenue exceeded budgeted by \$40,329 because more was received from specific ownership taxes and investment income than anticipated.

The District's 2020 actual expenditures of \$761,082 were less than budgeted by \$1,517,003 because the budgeted contingency was not utilized, and because personnel cost, building maintenance and shop expenditures and testing expenditures were less than anticipated.

## **CAPITAL ASSETS AND LONG-TERM DEBT**

### **Capital Assets**

The District's investment in capital assets as of December 31, 2020, totaled \$130,248, net of accumulated depreciation. These assets include land, buildings, machinery and equipment, and vehicles. Additional information on the District's capital assets can be found in the notes to the financial statements.

### **Long-term Debt**

The District had no long-term debt during 2020.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The District's mill levy remains 1.4 which was originally approved by voters of the District in November 2019. The 2021 valuation assessment for the District, as certified by the La Plata County Assessor, is \$735,472,190, resulting in \$1,029,661 in property tax revenue. The increased revenue from the mill levy continues to allow the District to meet increased demands for service, provide an increased level of service and develop capital facilities and reserves.

The District budgeted \$1,191,950 for operating expenditures in 2021, an increase of \$438,711 from the \$753,239 operating expenditures in 2020. The increases are primarily for increased administration expenses and personnel costs. Those increases will permit the District to better achieve its mission of controlling the mosquito population to protect public health, enhance comfort and prevent the spread of diseases that mosquitoes can carry and transmit to people, pets, livestock, and wildlife.

The District budgeted \$1,362,668 for capital outlay in 2021, an increase of \$1,354,825 from the \$7,843 capital outlay expenditures in 2020. The District facilities, which are centrally located on Trimble Lane in the Animas Valley, need to be expanded to meet increased demand for services. The District has been utilizing temporary storage units for several years while accumulating sufficient reserves to build new facilities. The 2019 voter approved mill levy will enable the District to address that much needed expansion. The new facility will require estimated capital expenditures in 2021 of \$1,000,000 which will include expanded vehicle bays, storage areas and offices. District staff has also developed a five-year capital replacement plan for District owned equipment. The 2021 capital budget includes approximately \$362,668 for equipment replacement.

## **CONTACTING ANIMAS MOSQUITO CONTROL DISTRICT'S MANAGEMENT**

This 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: Board of Directors; Animas Mosquito Control District; 870 County Road 252; Durango, CO 81301. Interested citizens can also visit our website at [www.animasmosquito.com](http://www.animasmosquito.com).

Animas Mosquito Control District  
Statement of Net Position  
December 31, 2020

|  |           | Governmental<br>Activities |
|--|-----------|----------------------------|
| <b>Assets</b>                              |           |                            |
| Current Assets                             |           |                            |
| Cash and cash equivalents                  | \$        | 23,718                     |
| Due from county treasurer                  |           | 8,602                      |
| Investments                                |           | 2,472,564                  |
| Property taxes receivable                  |           | 1,029,661                  |
| Prepaid expenses                           |           | 22,480                     |
| Inventory                                  |           | 96,993                     |
| <b>Total Current Assets</b>                |           | <b>3,654,018</b>           |
| Non-current Assets                         |           |                            |
| Capital assets, net                        |           | 130,248                    |
| <b>Total Assets</b>                        | <b>\$</b> | <b>3,784,266</b>           |
| <b>Liabilities</b>                         |           |                            |
| Current Liabilities                        |           |                            |
| Accounts payable                           | \$        | 7,164                      |
| Accrued payroll and related liabilities    |           | 864                        |
| <b>Total Current Liabilities</b>           |           | <b>8,028</b>               |
| Deferred Inflows of Resources              |           |                            |
| Deferred property tax revenue              |           | 1,029,661                  |
| <b>Total Deferred Inflows of Resources</b> |           | <b>1,029,661</b>           |
| <b>Net Position</b>                        |           |                            |
| Net investment in capital assets           |           | 130,248                    |
| Restricted for emergencies                 |           | 22,832                     |
| Unrestricted                               |           | 2,593,497                  |
| <b>Total Net Position</b>                  | <b>\$</b> | <b>2,746,577</b>           |

The accompanying notes are an integral part of this statement.

Animas Mosquito Control District  
Statement of Activities  
For the year ended December 31, 2020

|                                 | Expenses          | Program Revenues       | Net Expense (Revenue) |
|---------------------------------|-------------------|------------------------|-----------------------|
| Governmental Activities         |                   |                        |                       |
| Public health                   | <u>\$ 794,229</u> | <u>\$ 27,208</u>       | <u>\$ (767,021)</u>   |
| Totals                          | <u>\$ 794,229</u> | <u>\$ 27,208</u>       | <u>\$ (767,021)</u>   |
| General Revenues                |                   |                        |                       |
| Property taxes                  |                   |                        | 1,004,340             |
| Specific ownership taxes        |                   |                        | 102,300               |
| Interest income                 |                   |                        | <u>4,098</u>          |
|                                 |                   | Total General Revenues | <u>1,110,738</u>      |
|                                 |                   | Change in Net Position | 343,717               |
| Net Position, beginning of year |                   |                        | <u>2,402,860</u>      |
| Net Position, end of year       |                   |                        | <u>\$ 2,746,577</u>   |

The accompanying notes are an integral part of this statement.

Animas Mosquito Control District  
 Balance Sheet  
 Governmental Fund  
 December 31, 2020

|   | General<br>Fund     |
|---|---------------------|
| <b>Assets</b>   |                     |
| Cash and cash equivalents   | \$ 23,718           |
| Due from county treasurer   | 8,602               |
| Investments   | 2,472,564           |
| Property taxes receivable   | 1,029,661           |
| Prepaid expenses  | 22,480              |
| Inventory   | 96,993              |
| <b>Total Assets</b>   | <b>\$ 3,654,018</b> |
| <b>Liabilities</b>  |                     |
| Accounts payable  | \$ 7,164            |
| Accrued payroll and related liabilities   | 864                 |
| <b>Total Liabilities</b>  | <b>8,028</b>        |
| <b>Deferred Inflows of Resources</b>  |                     |
| Deferred property tax revenue   | 1,029,661           |
| <b>Total Deferred Inflows of Resources</b>  | <b>1,029,661</b>    |
| <b>Fund Balance</b>   |                     |
| Nonspendable, prepaid expenses  | 22,480              |
| Nonspendable, inventory   | 96,993              |
| Restricted for emergencies  | 22,832              |
| Committed for capital outlay  | 1,362,668           |
| Unassigned  | 1,111,356           |
| <b>Total Fund Balance</b>   | <b>2,616,329</b>    |
| <b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>   | <b>\$ 3,654,018</b> |
| <b>Total Fund Balance</b>   | <b>\$ 2,616,329</b> |
| Amounts reported for the governmental activities in the Statement of Net Position are different because:                    |                     |
| Capital assets are not current financial resources, and therefore are not reported in the governmental funds balance sheet. | 130,248             |
| <b>Total Net Position</b>   | <b>\$ 2,746,577</b> |

The accompanying notes are an integral part of this statement.

Animas Mosquito Control District  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Fund  
For the year ended December 31, 2020

|  | General<br>Fund                     |
|--|-------------------------------------|
| Revenues   |                                     |
| Property taxes   | \$ 1,004,340                        |
| Specific ownership taxes                                   | 102,300                             |
| Interest income  | 4,098                               |
| Miscellaneous  | 27,208                              |
|  | Total Revenues 1,137,946            |
| Expenditures   |                                     |
| Public Health  |                                     |
| Personnel  | 363,850                             |
| Chemicals  | 183,814                             |
| Office and administrative                                  | 63,495                              |
| Field equipment, supplies, and truck expenditures          | 40,200                              |
| Treasurer's fees   | 30,328                              |
| Insurance  | 26,008                              |
| Testing  | 16,882                              |
| GIS / GPS  | 13,438                              |
| Building maintenance and shop expenses                     | 8,678                               |
| Surveillance   | 6,154                               |
| Promotion and public education                             | 392                                 |
| Capital outlay   | 7,843                               |
|  | Total Expenditures 761,082          |
|  | Net Change in Fund Balances 376,864 |
| Fund balances, beginning of year                           | 2,239,465                           |
| Fund balances, end of year                                 | \$ 2,616,329                        |
| <br>Total net change in fund balances - governmental funds | <br>\$ 376,864                      |

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

Governmental funds report capital outlays as expenditures in the year the costs are incurred; however, the government-wide financial statements report capital outlays as an addition to capital assets. The cost of capital assets is allocated to depreciation expense over the estimated useful lives of the underlying assets.

|  |            |
|--|------------|
| Amounts capitalized                              | -          |
| Depreciation expense                             | (33,147)   |
| Change in net position - governmental activities | \$ 343,717 |

The accompanying notes are an integral part of this statement.

Animas Mosquito Control District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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**Summary of Significant Accounting Policies**

The Animas Mosquito Control District (the "District"), Durango, Colorado, was formed September 28, 1960. The purpose of the District is to provide mosquito 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 accounting policies of the District conform to accounting principles generally accepted in the United States ("GAAP") as applicable to governmental units.

Reporting Entity

In conformance with Governmental Accounting and Financial Reporting Standards, the District has considered the possibility of inclusion of additional entities in its basic financial statements. The definition of the reporting entity is based primarily on the financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization's governing body, and either: (1) it is able to impose its will on that organization or (2) there is a potential for benefits to, or to impose specific financial burdens on the District. The District may also be financially accountable for governmental organizations that are fiscally dependent upon it.

Based upon the above criteria, no entities were found to be includable within the reporting unit of the District.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. These statements are to distinguish between the governmental and business-type activities of the District.

Governmental activities normally are supported by taxes and intergovernmental revenues and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District does not presently have any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues includes fees and charges paid by the recipients of goods and services offer by the programs and grants and contributions that are restricted for use in meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements - The fund financial statements report the following major governmental fund as described below.

General Fund - This fund is the general operating fund of the District. It accounts for all financial resources.

Animas Mosquito Control District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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Measurement Focus, Basis of Accounting and Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the same time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if they are received within sixty days after year end. These revenues could include federal, state, and county grants, and some charges for services. Grants are only recognized to the extent allowable expenditures have been incurred. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financial sources.

At times, both restricted and unrestricted resources are available for use to fund certain expenditures. It is the District's policy to use unrestricted assets first when an expense is incurred for which both restricted and unrestricted assets are available.

Property taxes are reported as a receivable and a deferred revenue when levied and as a revenue when due for collection in the following year.

Budgets and Budgetary Accounting

Budgets are adopted on a cash basis. An annual appropriated budget is adopted for the District's general fund. All annual appropriations lapse at fiscal year end.

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

1. Budgets are required by state law for all funds. By October 15, the budget is submitted to the Board for the fiscal year commencing the following January 1. The budget includes proposed expenses and the means of financing them.
2. Public hearings are conducted by the Board of Directors to obtain taxpayer comments.
3. Prior to December 31, the budget is adopted by formal resolution.

Animas Mosquito Control District

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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4. Budgets are required to be filed with the State within thirty days after the end of the year.
5. Expenditures may not legally exceed appropriation at the fund level.
6. Revisions that alter the total expenditures of the fund must be approved by the Board.
7. Budgeted amounts reported in the accompanying financial statements are adopted or amended by the Board.

Assets, Liabilities, and Fund Equity

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Inventory

Inventory is recorded and accounted for at cost, using the first in, first out method.

Capital Assets

The District's capital assets are recorded at original cost. Donated assets are listed at their fair value at the date of donation. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. It is the policy of the District to capitalize fixed assets costing more than \$5,000 with an estimated useful life of two or more years.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Description</u>      | <u>Estimated Lives</u> |
|-------------------------|------------------------|
| Buildings               | 15-40 years            |
| Machinery and equipment | 5-10 years             |
| Vehicles                | 5 years                |

Depreciation of exhaustible capital assets used by governmental activities is charged as an expense against operations, and accumulated depreciation is reported on the government-wide statement of net position.

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Accrued Compensated Absences

Accumulated unpaid sick and vacation pay and early retirement benefits are not applicable to the District.

Net Position Flow Assumption

It is the District's policy to use unrestricted net position first when an expense is incurred for which both restricted and unrestricted net position are available.

Classification of Fund Balances

In the governmental fund financial statements fund balance is reported in five classifications.

**Nonspendable:** Inventories and prepaid expenses represent fund balance amounts that are not in spendable form.

**Restricted:** The Colorado Constitution as amended by TABOR (see separate statutory compliance note) 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. It is the District's policy to use restricted fund balance first when an expense is incurred for which both restricted and unrestricted fund balance are available.

**Committed:** Committed is that portion of fund balance that has been committed by the highest level of formal action of the District's Board of Directors and does not lapse at year-end. It is the District's policy to use committed fund balance first when an expense is incurred for which both committed and assigned or unassigned fund balance are available. The District has committed fund balance for capital outlay.

**Assigned:** Assignments of fund balance are designated by District management. The District does not have any assigned fund balance at the end of the year.

**Unassigned:** Fund balance that has not been reported in any other classification is reported as unassigned.

Grants and Contributions

Grants and contributions are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Property Tax Revenues

Property taxes are levied on December 15 based on the assessed value of property as certified by the County Assessor on October 1. Assessed values are an approximation of market value.

Under Colorado Law, all property taxes become due and payable on January 1, in the year following that in which they were levied. Property taxes are recognized as revenue when paid to the County Treasurer. Property taxes levied in 2020 for collection in 2021 are identified as property taxes receivable and deferred revenue at

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December 31, and are presented net of an estimated allowance for uncollectible taxes. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's office collects property taxes and remits to the District on a monthly basis.

**Cash, Cash Equivalents, and Investments**

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy to address custodial credit risk.

Colorado state statutes govern the District's deposit of cash. For deposits in excess of \$250,000, Colorado Revised Statutes require the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board), The Colorado Public Deposit Protection Act ("PDPA") requires the state regulators to certify eligible depositories for public deposit. PDPA requires the eligible depositories with public deposits in excess of the federal insurance levels to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all of the uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of their uninsured deposits.

As of December 31, 2020, all of the Districts deposits were either insured by FDIC or collateralized under PDPA, and therefore not exposed to custodial credit risk.

Investments

Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosure (GASB 40) establishes disclosure requirements related to investment risks including credit risk, custodial risk, interest rate risk and foreign currency risk.

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, revenues 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.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

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

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NOTES TO FINANCIAL STATEMENTS

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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 all 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 they 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 places no limit on the amount the District may invest in any one issuer.

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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its investment choices.

The District has invested \$2,472,564 at December 31, 2020 in the Colorado Local Governmental 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. 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 and Poor's AAAM rating. The custodian's internal records segregate investments owned by the Trust. Colotrust is measured at net asset value (NAV). There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period. There is no custodial, interest rate or foreign currency risk exposure.

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NOTES TO FINANCIAL STATEMENTS

December 31, 2020

**Capital Assets**

Activity for capital assets is summarized below:

|  | Beginning<br>Balance | Prior Period<br>Adjustment | Additions          | Deletions /<br>Adjustments | Ending<br>Balance |
|--|----------------------|----------------------------|--------------------|----------------------------|-------------------|
| Governmental Activities                |                      |                            |                    |                            |                   |
| Capital assets being depreciated       |                      |                            |                    |                            |                   |
| Buildings                              | \$ 121,030           | \$ -                       | \$ -               | \$ -                       | \$ 121,030        |
| Machinery and equipment                | 281,420              | 10,000                     | -                  | -                          | 291,420           |
| Vehicles                               | 169,905              | -                          | -                  | -                          | 169,905           |
| Total capital assets being depreciated | 572,355              | 10,000                     | -                  | -                          | 582,355           |
| Less accumulated depreciation          | (408,960)            | (10,000)                   | (33,147)           | -                          | (452,107)         |
| Capital assets, net                    | <u>\$ 163,395</u>    | <u>\$ -</u>                | <u>\$ (33,147)</u> | <u>\$ -</u>                | <u>\$ 130,248</u> |

**Contingencies and Commitments**

*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 for the prior year, extensions of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

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. During 2019 members of the District voted to remove revenue limits imposed by TABOR.

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 spending (excluding bonded debt service). The required reserve at December 31, 2020 is \$22,832.

The District’s management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject o interpretation. Many of its provisions will require judicial interpretation.

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*Risk Management*

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and natural disasters. The District participates in the Colorado Special Districts and Liability Pool (the "Pool") which is sponsored by the Special District Association of Colorado. The Pool insures property and liability exposures through contributions made by member districts. The District does not maintain an equity interest in the self-insurance pool. Settled claims for the Pool resulting from these risks have not exceeded amounts recoverable from reinsurance contracts and funds accumulated by the Pool in any of the past three years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

A summary of audited statutory basis financial information for the Pool as of and for the year ended December 31, 2019 is as follows:

|                   |                       |
|-------------------|-----------------------|
| Assets            | <u>\$ 55,602,023</u>  |
| Liabilities       | <u>\$ 33,163,342</u>  |
| Surplus           | <u>22,438,681</u>     |
|                   | <u>\$ 55,602,023</u>  |
| <br>              |                       |
| Revenues          | \$ 23,610,572         |
| Expenses          | <u>25,355,739</u>     |
| Net Income (Loss) | <u>\$ (1,745,167)</u> |

**Prior Period Adjustment**

During 2020 it was determined that capital assets and accumulated depreciation were each understated by \$10,000 at December 31, 2019. A prior period adjustment is reflected on the financial statements to reflect this correction. This adjustment does not have any impact on fund balance or net position.

REQUIRED SUPPLEMENTARY INFORMATION

Animas Mosquito Control District  
 Budgetary Comparison Schedule  
 General Fund  
 For the year ended December 31, 2020

|   | Original<br>Budget  | Final Budget        | Actual             | Variance Over<br>(Under) |
|---|---------------------|---------------------|--------------------|--------------------------|
| <b>Revenues</b>                                   |                     |                     |                    |                          |
| Property taxes                                    | \$ 1,024,617        | \$ 1,024,617        | \$1,004,340        | \$ (20,277)              |
| Specific ownership taxes                          | 54,000              | 54,000              | 102,300            | 48,300                   |
| Interest income                                   | -                   | -                   | 4,098              | 4,098                    |
| Miscellaneous                                     | 19,000              | 19,000              | 27,208             | 8,208                    |
| Total Revenues                                    | <u>1,097,617</u>    | <u>1,097,617</u>    | <u>1,137,946</u>   | <u>40,329</u>            |
| <b>Expenditures</b>                               |                     |                     |                    |                          |
| Public Health                                     |                     |                     |                    |                          |
| Personnel   | 438,700             | 438,700             | 363,850            | (74,850)                 |
| Chemicals   | 202,000             | 202,000             | 183,814            | (18,186)                 |
| Office and administrative                         | 77,450              | 77,450              | 63,495             | (13,955)                 |
| Field equipment, supplies, and truck expenditures | 58,000              | 58,000              | 40,200             | (17,800)                 |
| Treasurer's fees                                  | 20,000              | 20,000              | 30,328             | 10,328                   |
| Insurance   | 20,000              | 20,000              | 26,008             | 6,008                    |
| Testing   | 36,000              | 36,000              | 16,882             | (19,118)                 |
| GIS / GPS   | 8,000               | 8,000               | 13,438             | 5,438                    |
| Building maintenance and shop expenses            | 30,000              | 30,000              | 8,678              | (21,322)                 |
| Surveillance                                      | 4,000               | 4,000               | 6,154              | 2,154                    |
| Promotion and public education                    | 3,000               | 3,000               | 392                | (2,608)                  |
| Capital outlay                                    | 20,000              | 20,000              | 7,843              | (12,157)                 |
| Contingency                                       | 1,360,935           | 1,360,935           | -                  | (1,360,935)              |
| Total Expenditures                                | <u>2,278,085</u>    | <u>2,278,085</u>    | <u>761,082</u>     | <u>(1,517,003)</u>       |
| Net change in fund balances                       | (1,180,468)         | (1,180,468)         | 376,864            | 1,557,332                |
| Fund balances, beginning of year                  | 2,239,465           | 2,239,465           | 2,239,465          | -                        |
| Fund balances, end of year                        | <u>\$ 1,058,997</u> | <u>\$ 1,058,997</u> | <u>\$2,616,329</u> | <u>\$ 1,557,332</u>      |