

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

DECEMBER 31, 2020

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Paul D. Miller CPA, LLC.

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Grand River Mosquito Control District
Grand Junction, CO

I have audited the accompanying financial statements of the governmental activities and the major fund of the Grand River Mosquito Control District, State of Colorado (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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Grand River Mosquito Control District, State of Colorado, as of December 31, 2020, 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.

-1-

Paul D. Miller, C.P.A.
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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 3-7, 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I 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.

Paul D. Miller, CPA, LLC

Grand Junction, Colorado
February 15, 2021

GRAND RIVER MOSQUITO CONTROL DISTRICT

Management's Discussion and Analysis

For the Year ended December 31, 2020

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, 2020. We encourage readers to consider the information presented here in conjunction with the additional information furnished in our basis financial statements to better understand the financial position of the District.

The District implemented the recommendations of a local marketing firm to expand the use of radio and television, and to include social media platforms including Facebook, and Indeed to assist in the recruitment of seasonal staff and improve public communication. Measurable metrics include a 400% increase in seasonal job applications and 88,895 Facebook users were reached, or exposed, to District information from February to September.

The service area was monitored for juvenile and adult mosquito activity beginning in April and ending in September 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 District contracted with Value enhancement to provide month-to-month, third party financial oversight to the District.
- The Board of Director's and staff reviewed their adopted twenty-year financial plan, making sure that it still meets their long-term goals.
- The District's tax receipts increase by \$92,946 over 2019 receipts of \$2,603,626.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basis financial statements. The basis 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 like a private sector business. The statement of governmental net position presents information on all 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 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 change 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 Basis Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

Government-wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of the government's financial position. In this case, the district's assets exceeded its liabilities and deferred inflows by \$10,551,265 as of December 31, 2020.

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

| | 2020 | 2019 |
|----------------------------------|----------------------|---------------------|
| Assets | | |
| Current and other assets | \$ 8,399,297 | \$ 7,453,445 |
| Capital assets | 4,591,945 | 4,683,513 |
| Total Assets | 12,991,242 | 12,136,958 |
| Liabilities | | |
| Current liabilities | 23,644 | 21,556 |
| Long-term liabilities | 23,901 | 16,852 |
| Total Liabilities | 47,545 | 38,408 |
| Deferred Inflows | | |
| Property taxes | 2,392,432 | 2,580,504 |
| Net Position | | |
| Net investment in capital assets | 4,591,945 | 4,683,513 |
| Restricted for emergencies | 90,572 | 81,560 |
| Unrestricted | 5,877,760 | 4,752,973 |
| Net Position | \$ 10,551,265 | \$ 9,518,046 |

Most 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 \$90,572 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 changes in the District's net position for the year ended December 31:

| | <u>2020</u> | <u>2019</u> |
|---|----------------------|---------------------|
| Revenues: | | |
| Program revenues: | | |
| Charges for services | \$ - | \$ 12,238 |
| General revenues: | | |
| Taxes | 2,921,056 | 2,603,626 |
| Earnings on deposits | 71,922 | 108,891 |
| Gain (loss) on disposal of assets & misc. | (6,407) | 25,899 |
| Total Revenue | <u>2,986,571</u> | <u>2,750,654</u> |
| Expenses: | | |
| Chemicals and supplies | 853,703 | 512,430 |
| Payroll | 827,504 | 736,074 |
| Other general & administrative | 272,146 | 420,664 |
| Total Expenses | <u>1,953,353</u> | <u>1,669,168</u> |
| Change in Net Position | 1,033,218 | 1,081,486 |
| Net Position-January 1, | 9,518,046 | 8,375,546 |
| Prior period adjustment | - | 61,014 |
| Net Position- January 1, restated | <u>9,518,046</u> | <u>8,436,560</u> |
| Net Position-December 31, | <u>\$ 10,551,264</u> | <u>\$ 9,518,046</u> |

Nearly all the District's revenue was from property and specific ownership taxes. The only other income consists of earnings on deposits. The District's financial position improved during 2020 with a change in net position of \$1,033,219, which occurred primarily because the operational expenses associated with the 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. 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 has a fund balance of \$5,983,221 as of December 31, 2020, an increase of \$1,131,836. The increase in fund balance occurred primarily because the operational expenses associated with labor and chemicals were all less than anticipated and specific ownership taxes were more than anticipated.

General Fund Budgetary Highlights

2020 actual revenues exceeded budgeted by \$155,060 because more was received from specific ownership taxes and investments income than anticipated.

2020 actual expenditures were less than budgeted by \$3,627,484 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, decrease by \$91,568 in 2020 due primarily to the purchase and trade-in of fleet vehicles and scheduled building depreciation.

The District had no long-term debt during 2020.

Economic Factors and Next Year's Budget

The local economy continues to grow during the Novel Coronavirus pandemic due, in part, to new home construction and property tax revenues remaining stable. Revenues in 2021 are projected to be slightly less than 2020, due to a temporary mill levy reduction of 0.09 mills.

Request for Information

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

Grand River Mosquito Control District
Statement of Net Position and Governmental Fund Balance Sheet
December 31, 2020

| | General Fund | Adjustments | Statement of Net Position |
|--|---------------------|---------------------|------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | 1,067,771 | \$ - | \$ 1,067,771 |
| Investments | 4,642,424 | - | 4,642,424 |
| Receivables: | | | |
| Property taxes receivable | 2,392,432 | - | 2,392,432 |
| Due from other governments | 42,203 | - | 42,203 |
| Other receivable | 4,904 | - | 4,904 |
| Inventories | 194,685 | - | 194,685 |
| Prepaid expenses | 54,878 | - | 54,878 |
| Capital Assets -net of accumulated depreciation | - | 4,591,945 | 4,591,945 |
| TOTAL ASSETS | <u>\$ 8,399,297</u> | <u>4,591,945</u> | <u>12,991,242</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 9,477 | \$ - | \$ 9,477 |
| Accrued payroll and related liabilities | 14,167 | - | 14,167 |
| Accrued compensated absences | - | 23,901 | 23,901 |
| Total Liabilities | <u>23,644</u> | <u>23,901</u> | <u>47,546</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property taxes | 2,392,432 | - | 2,392,432 |
| Total Deferred Inflows | <u>2,392,432</u> | <u>-</u> | <u>2,392,432</u> |
| Total Liabilities and Deferred Inflows | <u>2,416,076</u> | <u>23,901</u> | <u>2,439,978</u> |
| FUND EQUITY AND NET POSITION | | | |
| Restricted-Emergency reserve - Tabor | 90,572 | (90,572) | - |
| Non-spendable for inventories | 194,685 | (194,685) | - |
| Unassigned | 5,697,964 | (5,697,964) | - |
| Total Fund Equity | <u>5,983,221</u> | <u>(5,983,221)</u> | <u>-</u> |
| Total Liabilities, Deferred Inflows, and Fund Equity | <u>\$ 8,399,297</u> | | |
| NET POSITION | | | |
| Invested in capital assets, net of related debt | | 4,591,945 | 4,591,945 |
| Restricted for: | | | |
| Tabor emergency | | 90,572 | 90,572 |
| Unrestricted | | 5,868,747 | 5,868,747 |
| TOTAL NET POSITION | | <u>\$10,551,265</u> | <u>\$10,551,265</u> |

The notes to the financial statement are an integral part of this statement.

Grand River Mosquito District
Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Position
December 31, 2020

| | |
|---|----------------------------|
| Adjustments to reconcile the governmental fund balance sheet to the statement of Net Position are as follows: | |
| Fund balance per general fund balance sheet | \$ 5,983,221 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | 4,591,945 |
| 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. | (23,901) |
| Net Position for governmental activities | <u><u>\$10,551,265</u></u> |

The notes to the financial statement are an integral part of this statement.

Grand River Mosquito Control District
Statement of Revenue, Expenditures, and Change in Fund Balances-Governmental
and Statement of Activities
For the Year Ended December 31, 2020

| | General Fund | Adjustments | Statement of Activities |
|---|---------------------|---------------------|----------------------------|
| EXPENDITURES/EXPENSES | | | |
| Public Health | \$ 1,785,803 | 169,372 | \$ 1,955,175 |
| Capital outlays | 115,531 | (115,531) | - |
| Total expenditures/expenses: | <u>1,901,334</u> | <u>53,841</u> | <u>1,955,175</u> |
| General Revenues: | | | |
| Property taxes | 2,553,025 | - | 2,553,025 |
| Specific ownership | 368,031 | - | 368,031 |
| Investment income | 71,922 | - | 71,922 |
| Gain (Loss) on sale of assets | - | (44,777) | (44,777) |
| Miscellaneous income | 40,192 | - | 40,192 |
| Total general revenues: | <u>3,033,170</u> | <u>(44,777)</u> | <u>2,988,393</u> |
| Excess of (expenditures) over revenues: | <u>1,131,836</u> | <u>(98,618)</u> | <u>1,033,219</u> |
| Fund Balance/ Net Position | | | |
| Beginning of the year | 4,851,385 | 4,666,661 | 9,518,046 |
| End of the year | <u>\$ 5,983,221</u> | <u>\$ 4,568,043</u> | <u>\$ 10,551,265</u> |

The notes to the financial statement are an integral part of this statement

Grand River Mosquito District
 Reconciliation of the Statement of Revenues Expenditures,
 and Change in the Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended December 31, 2020

Amounts reported for the governmental activities in the statement of activities (page 9) are different because

| | |
|--|----------------------------|
| Excess of expenditures over revenues - general funds | \$ 1,131,836 |
| <p>Governmental funds report capital outlay as expenditures. However, in the Statement of Activity the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p> | |
| Capital outlay | 115,531 |
| <p>The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins or donations) is to increase (decrease) net position.</p> | |
| Trade-in value of capital assets | (37,700) |
| Loss on disposal of capital assets | (7,076.3) |
| Depreciation | (162,523) |
| 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>(6,849)</u> |
| Change in Net Position of Governmental activities | <u><u>\$ 1,033,219</u></u> |

The notes to the financial statement are an integral part of this statement

Grand River Mosquito Control District
Statement of Revenues, Expenditures, and Change in Fund Balance
Budget and Actual
For the Year Ended December 31, 2020

| | General Fund | | |
|--|---------------------------------|---------------------|--|
| | Original and Final Budget | Actual | Variance Favorable (Unfavorable) |
| Revenue: | | | |
| General property taxes | \$ 2,578,110 | \$ 2,553,025 | \$ (25,085) |
| Specific ownership tax | 250,000 | 368,031 | 118,031 |
| Investment income | 44,000 | 71,922 | 27,922 |
| Miscellaneous income | - | 40,192 | 40,192 |
| Total Revenues | <u>2,872,110</u> | <u>3,033,170</u> | <u>161,060</u> |
| Expenditures: | | | |
| Public Health | | | |
| Chemicals | 651,000 | 627,725 | 23,275 |
| Personnel | 902,500 | 827,504 | 74,996 |
| Field equipment, supplies, & truck expense | 236,300 | 110,447 | 125,853 |
| Treasurer's fees | 48,000 | 51,064 | (3,064) |
| Insurance | 32,000 | 28,419 | 3,581 |
| Office & administrative | 110,550 | 53,574 | 56,976 |
| Promotion & public education | 93,000 | 22,486 | 70,514 |
| Utilities | 22,870 | 22,181 | 689 |
| Training & conferences | 34,000 | 13,679 | 20,321 |
| Professional fees | 140,700 | 28,724 | 111,976 |
| General contingency | 4,750,071 | - | 4,750,071 |
| Capital outlay | 138,000 | 115,531 | 22,469 |
| Emergency reserve | 86,343 | - | 86,343 |
| Total Expenditures | <u>7,245,334</u> | <u>1,901,334</u> | <u>5,344,000</u> |
| Net change in Fund Balance/ Net Position | (4,373,224) | 1,131,836 | (5,505,060) |
| Fund Balance-Beginning of Year | <u>4,373,224</u> | <u>4,851,385</u> | <u>478,161</u> |
| Fund Balance-End of Year | <u>\$ -</u> | <u>\$ 5,983,221</u> | <u>\$ (5,026,899)</u> |

The notes to the financial statement are an integral part of this statement.

GRAND RIVER MOSQUITO CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Reporting Entity -The reporting entity consists of the primary government. The District is considered financially accountable for legally separate organizations if it can 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. 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.

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 government 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 of 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.

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

GRAND RIVER MOSQUITO CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

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 – Governments funds are those through which most governments functions typically are financed. Governmental fund 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.

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 – 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 flow.

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 60days 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.

Use 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

GRAND RIVER MOSQUITO CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting – In the fall of each year, the District's Board of Directors formally adopt 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 year:

- For the 2020 budget year, prior to August 23, 2019, the County Assessor sent the District the assessed valuation of all taxable property within the District's boundaries.
- On or before October 15, 2019, 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.
- 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.
- For the 2020 budget, prior to December 15, 2019, 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.
- For the 2020 budget, the final budget and appropriating resolution was adopted prior to December 15, 2019.
- After adoption of the budget resolution, the District may make the following changes: 1) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; 2) supplemental appropriations to the extent of revenues more than those estimated in the budget; 3) emergency appropriations; and 4) 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.

GRAND RIVER MOSQUITO CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

Investments – Colorado statutes specify investments meeting defined ratings 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.

Inventories – Inventories in the general fund consist of expendable supplies held for the District’s use and are carried at the lower of cost or market using the first-in, first-out method.

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 and a life of 2 year or more.

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

| | |
|----------------------------|---------------|
| Buildings and improvements | 7 to 39 years |
| Vehicles | 5 to 12 years |
| Equipment and furniture | 5 to 10 years |

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 Change 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.

GRAND RIVER MOSQUITO CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

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

NOTE 2 – 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 more than 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, 2020, the District had cash deposits of \$102,653 which was covered by federal depository insurance. The District also had \$45,180 in cash balances in the Fidelity investment accounts. These amounts and investments are by the Securities Investor Protection Act which protects investors for the custody function of brokers but does not protect from declining changes in fair value. Total carrying value of cash deposits was \$147,834 on December 31, 2020.

Investments – Colorado state statutes authorized the District to invest in U.S. Treasury bills, obligations of any other U.S. agencies, obligation 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, 2020, the District had \$2,482,887 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 function 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 investment owned by COLOTRUST. COLOTRUST funds carry a Standard & Poor's AAAM rating. There is no custodial, interest rate or foreign currency risk exposure.

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 investment 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 input 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 Gas 72 fair value hierarchy, where applicable, of all cash and investments held by the District on December 31, 2020 are as follows:

GRAND RIVER MOSQUITO CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 – CASH AND INVESTMENTS-continued

| | |
|--------------------------------|--------------|
| Cash in bank accounts | \$ 147,834 |
| Investment Pools - ColoTrust | 2,482,887 |
| U. S. Treasury Notes (Level 1) | 1,420,820 |
| | \$ 4,051,541 |

Investments in U.S. Treasury Notes at December 31, 2020, were as follows:

| Security | Face Amount | Carrying Value |
|-----------------------------------|--------------|----------------|
| U.S. Treasury Note due 5/15/21 | \$ 200,000 | \$ 204,086 |
| U.S. Treasury Note due 8/15/21 | 200,000 | 203,648 |
| U.S. Treasury Note due 5/31/21 | 200,000 | 201,102 |
| U.S. Treasury Note due 11/15/21 | 200,000 | 201,578 |
| U.S. Treasury Note due 11/30/23 | 200,000 | 203,562 |
| U.S. Treasury Note due 10/31/24 | 200,000 | 205,234 |
| U.S. Treasury Note due | | |
| Total Federal Treasury Securities | \$ 1,200,000 | \$ 1,219,210 |

All the U.S Treasury Notes held by the District on December 31, 2020, are rated Aaa by Moody's.

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 included investment pools and U.S. Treasury securities. These investments are 55% and 32%, respectively, of the District's total investments on December 31, 2020.

GRAND RIVER MOSQUITO CONTROL DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 2 – CASH AND INVESTMENTS-continued

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.

| Investment Type | <1 Year | 1-2 Years | 2-3 Years | 3-4 Years | 4-5 Years | Total |
|---------------------|---------------------|-------------------|-------------------|-------------------|-------------|---------------------|
| Deposits | \$ 1,067,770 | \$ - | \$ - | \$ - | \$ - | \$ 1,067,770 |
| Investment Pools | 3,405,374 | - | - | - | - | 3,405,374 |
| U.S. Treasury Notes | - | 810,260 | 211,462 | 215,328 | - | 1,237,050 |
| | <u>\$ 4,473,144</u> | <u>\$ 810,260</u> | <u>\$ 211,462</u> | <u>\$ 215,328</u> | <u>\$ -</u> | <u>\$ 5,710,194</u> |

NOTE 3 – CAPITAL ASSETS

A summary of changes in capital assets follows:

| | Balance 12/31/2019 | Additions | Dispositions | Balance 12/31/2020 |
|---------------------------------------|-----------------------|--------------------|--------------------|-----------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 363,000 | \$ - | \$ - | \$ 363,000 |
| Capital assets being depreciated | | | | |
| Building & Improvements | 4,135,013 | - | - | 4,135,013 |
| Vehicles | 809,649 | 86,517 | (70,433) | 825,733 |
| Computers & Office Equipment | 102,310 | 9,269 | - | 111,579 |
| Fixtures & Lab Equipment | 72,867 | 19,745 | - | 92,612 |
| Less Accumulated depreciation | (799,326) | (162,524) | 25,858 | (935,992) |
| Net Capital assets being depreciation | <u>4,320,513</u> | <u>(46,993)</u> | <u>(44,575)</u> | <u>4,228,945</u> |
| Capital Assets - Net | <u>\$ 4,683,513</u> | <u>\$ (46,993)</u> | <u>\$ (44,575)</u> | <u>\$ 4,591,945</u> |

Depreciation expense was charged to the Public Health function/program of \$162,524.

NOTE 4 – 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 stature, 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 more than \$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.

GRAND RIVER MOSQUITO CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 – 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. On December 21, 2020, a reserve of \$90,572 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 exception. Revenue, if any, more than 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 TAOR's restrictions.

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

NOTE 6 – 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 classification 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 inventory, 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, constitutional provisions or enabling legislation.
- *Committed fun 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, 2020

NOTE 6 – FUND BALANCE-continued

- *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 7 – DEFINED CONTRIBUTION PLAN

The District provides retirement benefits for all 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, 2020, the employer contributions to the plan were \$19,950.

NOTE 8 – DEFERRED COMPENSATION PLAN

District employees may defer a portion of their compensation under a District sponsored Deferred Compensation Plan created in accordance with the Internal Revenue Code Section 457. Under this plan participants are not taxed on the deferred portion of their compensation until 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.

NOTE 9 – COVID-19 AFFECT ON DISTRICT

The District receives funding through a property tax, and that revenue was not impacted by the novel coronavirus pandemic in 2020. The District is a critical government service as defined in the Governor's Public health Order 20-24, so services were not interrupted during the 2020 mosquito season. However, operations were modified to comply with state and local health departments standards.

For 2021, the District anticipates property taxes revenue will continue to be collected and distributed to the District, as in 2020. The Manager will continue to monitor state and local standards and adjust operations, as needed, to meet any new requirements.

GRAND RIVER MOSQUITO CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated potential subsequent events disclosures through February 15, 2021, and other than the affect as noted in Note 9 above, the District did not note any material events that should be noted on December 31, 2020.