

**ANIMAS MOSQUITO CONTROL DISTRICT
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2022**

**ANIMAS MOSQUITO CONTROL DISTRICT
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FOR THE YEAR ENDED DECEMBER 31, 2022**

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Jamie Matthews CPA, LLC

INDEPENDENT AUDITOR'S REPORT UNMODIFIED OPINIONS ON THE BASIC FINANCIAL STATEMENTS

The Board of Directors
Animas Mosquito Control District
Durango, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Animas Mosquito Control District (the "District"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 District, as of December 31, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error,

as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the required budgetary comparison schedule for the general fund, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Jamie Matthews, CPA

Jamie Matthews CPA, LLC

Durango, Colorado

July 18, 2023



Animas Mosquito Control District

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2022. 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 2022. 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's total assets exceeded its liabilities on December 31, 2022, by \$3,568,275. This represented an increase of \$12,812 from the net position at December 31, 2021. This perspective on net position includes spendable resources as well as the investment in buildings, equipment, vehicles, and other capital assets of \$1,198,893, restricted for emergencies \$49,569 and unrestricted of \$2,319,813.
- The District's total liabilities increased \$6,885 and deferred inflows of resources decreased \$5,215.
- Total general fund expenditures were \$1,665,719 for the year ended December 31, 2022. This compares with general fund expenditures of \$1,000,826 for the year ended December 31, 2021. This net increase of \$664,893 is due to increases in field equipment and supplies expenditures and purchase of land.
- The District's total revenues on the fund financial statements increased from \$1,170,738 in 2021 to \$1,248,860 in 2022. This increase of \$78,122 is the result of appraisal increases for property taxes and an increase in specific ownership taxes.
- As of December 31, 2022, the District's governmental funds reported combined ending fund balances of \$2,369,382, a decrease of \$416,859 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 \$774,166. The nonspendable portion includes \$6,477 of prepaid items and \$176,502 of inventory. The District has committed \$1,362,668 for future capital outlay. The District has \$49,569 restricted for emergencies.

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 long-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) provides 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 as 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 fund 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 13 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" on page 22 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 is presented using the same classifications as those used in the legal budget document.

Notes to 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 financial statements can be found on pages 15 through 21.

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, 2022 and 2021

| | December 31, | | Increase |
|----------------------------------|---------------------|---------------------|-------------------|
| | 2022 | 2021 | (Decrease) |
| Current Assets | \$ 3,411,086 | \$ 3,826,275 | \$ (415,189) |
| Capital Assets | 1,198,893 | 364,779 | 834,114 |
| Total Assets | <u>4,609,979</u> | <u>4,191,054</u> | <u>418,925</u> |
| Current Liabilities | <u>11,192</u> | <u>4,307</u> | <u>6,885</u> |
| Deferred Inflows of Resources | <u>1,030,512</u> | <u>1,035,727</u> | <u>(5,215)</u> |
| Net Position | | | |
| Net Investment in Capital Assets | 1,198,893 | 364,779 | 834,114 |
| Restricted for Emergencies | 49,569 | 30,025 | 19,544 |
| Unrestricted | <u>2,319,813</u> | <u>2,756,216</u> | <u>(436,403)</u> |
| Total Net Position | <u>\$ 3,568,275</u> | <u>\$ 3,151,020</u> | <u>\$ 417,255</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 \$49,569 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 \$417,255 (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 decreased \$436,403 from \$2,756,216 in 2021 to \$2,319,813 in 2022 (see Table I).

Table II
Animas Mosquito Control District
Changes in Net Position
December 31, 2022 and 2021

| | December 31, | | Increase (Decrease) |
|--------------------------------|-----------------------|-----------------------|------------------------|
| | 2022 | 2021 | |
| Revenues | | | |
| Program Revenues | | | |
| Charges for Services | \$ 24,787 | \$ 26,632 | \$ (1,845) |
| General Revenues | | | |
| Property Taxes | 1,042,163 | 1,029,438 | 12,725 |
| Specific Ownership Taxes | 115,985 | 114,607 | 1,378 |
| Investment Earnings | 39,615 | 61 | 39,554 |
| Gain on Sale of Capital Assets | 26,310 | - | 26,310 |
| Total Revenues | <u>1,248,860</u> | <u>1,170,738</u> | <u>78,122</u> |
| Expenses | | | |
| Public Health | <u>831,605</u> | <u>766,295</u> | <u>65,310</u> |
| Total Expenses | <u>831,605</u> | <u>766,295</u> | <u>65,310</u> |
| Change in Net Position | <u>\$ 417,255</u> | <u>\$ 404,443</u> | <u>\$ 12,812</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, 2022, reported a balance of \$2,369,382, of the funds \$182,979 is nonspendable, and \$1,362,668 is committed. The District’s required 3% reserve for emergencies is \$49,569. The remaining fund balance of \$774,166 is available for future commitments and is unassigned fund balance. The decrease in fund balance occurred primarily due to the purchase of land that will be used for facility expansion.

The District receives 85% of its funding from property taxes, 9% from specific ownership taxes and 2% from charges for services. Personnel expenditures represent 19% of the District’s total expenditures, chemicals 11% and capital outlay 57%.

Budgetary Highlights

The Board of Director’s did not revise the District’s budget. Total 2022 actual revenue exceeded the budget by \$68,943 because more was received from specific ownership taxes and investment earnings were more than anticipated.

The District’s 2022 actual expenditures of \$1,665,719 were less than budgeted of \$2,548,058 because the budgeted contingency was not utilized, and capital outlay was less than anticipated due to the delay of the facility expansion and deferred procurement of equipment.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets as of December 31, 2022, totaled \$1,198,893, net of accumulated depreciation. These assets include construction in progress, land, buildings, machinery and equipment, and vehicles. Current year additions to capital assets are as follows:

Land Purchase \$ 939,711

GMC Canyon Bedslide \$1,784

GMC Canyon Camper Shell \$4,257

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 2022.

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 2022 valuation assessment for the District, as certified by the La Plata County Assessor, is \$736,080,143, resulting in \$1,030,512 in property tax revenue. The 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.

In 2023, the District has allocated a budget of \$2,862,900 for operational expenses, representing a \$1,197,181 increase compared to the \$1,665,719 spent in 2022. The main reason for these increases is the District's acquisition of land, which will facilitate the construction of a new building. These budget adjustments aim to support the District in effectively fulfilling its mission of controlling the mosquito population to safeguard public health, improve comfort, and prevent the transmission of diseases carried by mosquitoes to humans, pets, livestock, and wildlife.

The District budgeted \$1,759,000 for capital outlay in 2023, an increase of \$813,248 from the \$945,752 capital outlay expenditures in 2022. The District facilities, which are centrally located on Trimble Lane in the Animas Valley, need to be expanded to meet increased demands for service. 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 2023 of \$1,500,000 which will include vehicle bays, storage areas and offices. District staff have also developed a five-year capital replacement plan for District owned equipment. The 2023 capital budget includes approximately \$259,000 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.

ANIMAS MOSQUITO CONTROL DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2022

ASSETS:

Current Assets:

| | |
|---------------------------|------------------|
| Cash and Equivalents | \$ 142,945 |
| Due from County Treasurer | 9,679 |
| Investments | 2,044,971 |
| Property Taxes Receivable | 1,030,512 |
| Prepaid Expenses | 6,477 |
| Inventory | <u>176,502</u> |
| Total Current Assets | <u>3,411,086</u> |

Non-current Assets:

| | |
|---------------------|----------------------------|
| Capital Assets, Net | <u>1,198,893</u> |
| Total Assets | <u><u>\$ 4,609,979</u></u> |

LIABILITIES:

Current Liabilities:

| | |
|---|--------------|
| Accounts Payable | 8,400 |
| Accrued Payroll and Related Liabilities | <u>2,792</u> |
| Total Current Liabilities | 11,192 |

DEFERRED INFLOWS OF RESOURCES:

| | |
|-------------------------------------|------------------|
| Deferred Revenue - Property Taxes | <u>1,030,512</u> |
| Total Deferred Inflows of Resources | 1,030,512 |

NET POSITION:

| | |
|----------------------------------|----------------------------|
| Net Investment in Capital Assets | 1,198,893 |
| Restricted for Emergencies | 49,569 |
| Unrestricted | <u>2,319,813</u> |
| Total Net Position | <u><u>\$ 3,568,275</u></u> |

The accompanying notes are an integral part of the financial statements.

ANIMAS MOSQUITO CONTROL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

| | Expenses | Program Revenues | Net (Expense) Revenue and Changes in Net Position |
|---------------------------------|------------|------------------|---|
| Governmental Activities: | | | |
| Public Health | 831,605 | 24,787 | \$ (806,818) |
| Total | \$ 831,605 | \$ 24,787 | (806,818) |
| General Revenues: | | | |
| Property Taxes | | | 1,042,163 |
| Specific Ownership Taxes | | | 115,985 |
| Investment Earnings | | | 39,615 |
| Gain on Sale of Capital Assets | | | 26,310 |
| Total General Revenues | | | 1,224,073 |
| Change in Net Position | | | 417,255 |
| Net Position - Beginning | | | 3,151,020 |
| Net Position - Ending | | | \$ 3,568,275 |

The accompanying notes are an integral part of the financial statements.

ANIMAS MOSQUITO CONTROL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2022

| | General Fund |
|---|---------------------|
| ASSETS: | |
| Cash and Equivalents | \$ 142,945 |
| Due from County Treasurer | 9,679 |
| Investments | 2,044,971 |
| Property Taxes Receivable | 1,030,512 |
| Prepaid Expenses | 6,477 |
| Inventory | 176,502 |
| Total Assets | \$ 3,411,086 |
| LIABILITIES: | |
| Accounts Payable | 8,400 |
| Accrued Payroll and Related Liabilities | 2,792 |
| Total Liabilities | 11,192 |
| DEFERRED INFLOWS OF RESOURCES: | |
| Deferred Revenue - Property Taxes | 1,030,512 |
| Total Deferred Inflows of Resources | 1,030,512 |
| FUND BALANCE: | |
| Nonspendable - Prepaid Expenses | 6,477 |
| Nonspendable - Inventory | 176,502 |
| Restricted for Emergencies | 49,569 |
| Committed for Capital Outlay | 1,362,668 |
| Unassigned | 774,166 |
| Total Fund Balance | 2,369,382 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 3,411,086 |

The accompanying notes are an integral part of the financial statements.

ANIMAS MOSQUITO CONTROL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2022

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

| | |
|---|-------------------------|
| Total Fund Balances - Governmental Funds | \$ 2,369,382 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | |
| Governmental Capital Assets | 1,685,003 |
| Accumulated Depreciation | <u>(486,110)</u> |
| | 1,198,893 |
| Total Net Position - Governmental Activities | <u><u>3,568,275</u></u> |

The accompanying notes are an integral part of the financial statements.

ANIMAS MOSQUITO CONTROL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2022

| | General Fund |
|---|---------------------|
| Revenues: | |
| Property Taxes | 1,042,163 |
| Specific Ownership Taxes | 115,985 |
| Investment Earnings | 39,615 |
| Miscellaneous | 24,787 |
| Total Revenue | 1,222,550 |
| Expenditures: | |
| Public Health | |
| Personnel | 320,313 |
| Chemicals | 182,532 |
| Office and Administrative | 81,229 |
| Treasurer's Fees | 30,683 |
| Insurance | 25,254 |
| Testing | 18,757 |
| Field Equipment, Supplies, and Truck Expenditures | 33,527 |
| Building Maintenance and Shop Expenditures | 18,960 |
| Surveillance | 2,459 |
| GIS / GPS | 2,200 |
| Promotion and Public Education | 4,053 |
| Capital Outlay | 945,752 |
| Total Expenditures | 1,665,719 |
| Deficiency of Revenues Over Expenditures | (443,169) |
| Other Financing Sources: | |
| Sale of Capital Assets | 26,310 |
| Net Change in Fund Balance | (416,859) |
| Fund Balances - Beginning of Year | 2,786,241 |
| Fund Balances - End of Year | \$ 2,369,382 |

The accompanying notes are an integral part of the financial statements.

ANIMAS MOSQUITO CONTROL DISTRICT
RECONCILIATION STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

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

Net Change in Fund Balances - Total Governmental Funds \$ (416,859)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

| | | |
|----------------------------|-----------------|---------|
| Amounts Capitalized | 945,752 | |
| Deletion of Capital Assets | (48,309) | |
| Depreciation Expense | <u>(63,329)</u> | |
| | | 834,114 |

Total Net Position - Governmental Activities 417,255

ANIMAS MOSQUITO CONTROL DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

NOTE 1. 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.

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.

ANIMAS MOSQUITO CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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:

- 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.
- Public hearings are conducted by the Board of Directors to obtain taxpayer comments.
- Prior to December 31, the budget is adopted by formal resolution
- Budgets are required to be filed with the State within thirty days after the end of the year.
- Expenditures may not legally exceed appropriation at the fund level.
- Revisions that alter the total expenditures of the fund must be approved by the Board.
- Budgeted amounts reported in the accompanying financial statements are adopted or amended by the Board.

Budget amounts included in the financial statements report both the original and final amended budget. There were no revisions made to the original budget during the year.

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.

ANIMAS MOSQUITO CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets - Continued

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.

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 Balance

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.

ANIMAS MOSQUITO CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property Tax Revenues - Continued

Property taxes levied in 2022 for collection in 2023 are identified as property taxes receivable and deferred revenue at 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.

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits

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, 2022, 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 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.

ANIMAS MOSQUITO CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS - Continued

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 \$2,044,971 at December 31, 2022 in the Colorado Local Governmental Liquid Asset Trust, (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The Trust offers shares in three portfolios, COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE. All portfolios may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and instrumentalities, and repurchase agreements collateralized by certain obligations of U.S. government agencies or instrumentalities. COLOTRUST PRIME AND COLOTRUST PLUS+ invest in securities with a weighted average maturity of 60 days or less, while COLOTRUST EDGE invests in securities with a weighted average maturity of less than five years. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. 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. These pools are not required to be, and are not, registered with the SEC.

COLOTRUST's PRIME and PLUS+ funds are rated AAAM by Standard & Poor's rating service. The COLOTRUST EDGE fund is rated AA Af/S1 by FitchRatings rating service. The custodian's internal records segregate investments owned by the Trust. As of December 31, 2022, the District had \$0 invested in COLOTRUST PRIME, \$573,876 invested in COLOTRUST PLUS+, and \$1,471,095 invested in COLOTRUST EDGE. COLOTRUST records its investments at fair value and the District records its investments in COLOTRUST at fair value. There are no unfunded commitments. The redemption frequency is daily for COLOTRUST PRIME and COLOTRUST PLUS+, and weekly for COLOTRUST EDGE. There is no redemption notice period.

Investments in local government investment pools are not categorized in terms of custodial credit risk since they are not evidenced by securities that exist in physical or book entry form.

ANIMAS MOSQUITO CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022, was as follows:

| | Beginning Balance | Additions | Deletions / Adjustments | Ending Balance |
|--|----------------------|------------|----------------------------|-------------------|
| Capital assets, Not Being Depreciated: | | | | |
| Land | \$ - | \$ 939,711 | \$ - | \$ 939,711 |
| Construction in Progress | 48,309 | - | 48,309 | - |
| Total Capital Assets, Not Being Depreciated | 48,309 | 939,711 | 48,309 | 939,711 |
| Capital Assets Being Depreciated: | | | | |
| Buildings | 121,030 | - | - | 121,030 |
| Machinery and Equipment | 481,416 | - | 33,100 | 448,316 |
| Vehicles | 169,905 | 6,041 | - | 175,946 |
| Total Capital Assets Being Depreciated | 772,351 | 6,041 | 33,100 | 745,292 |
| Less Accumulated Depreciation: | | | | |
| Buildings | 74,255 | 2,819 | - | 77,074 |
| Machinery and Equipment | 240,366 | 46,276 | 33,100 | 253,542 |
| Vehicles | 141,260 | 14,234 | - | 155,494 |
| Total Accumulated Depreciation | 455,881 | 63,329 | 33,100 | 486,110 |
| Total Capital Assets, Being Depreciated, Net | 316,470 | 57,288 | - | 259,182 |
| Governmental Activities Capital Assets, Net | \$ 364,779 | \$ 882,423 | \$ 48,309 | \$ 1,198,893 |

NOTE 4. 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, 2022 is \$49,569.

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

ANIMAS MOSQUITO CONTROL DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4. CONTINGENCIES AND COMMITMENTS - Continued

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.

In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. 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.

A summary of audited statutory basis financial information for the Pool as of and for the year ended December 31, 2022 is as follows:

| | |
|-------------------------------|----------------------|
| Assets | <u>\$ 69,212,177</u> |
| Liabilities | \$ 45,329,704 |
| Surplus | 23,882,473 |
| Total Liabilities and Surplus | <u>\$ 69,212,177</u> |
| Revenues | \$ 27,526,998 |
| Expenses | 25,447,966 |
| Net Income (Loss) | <u>\$ 2,079,032</u> |

ANIMAS MOSQUITO CONTROL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2022

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget |
|---|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Property Taxes | 1,041,401 | 1,041,401 | 1,042,163 | 762 |
| Specific Ownership Taxes | 85,592 | 85,592 | 115,985 | 30,393 |
| Investment Earnings | 7,623 | 7,623 | 39,615 | 31,992 |
| Miscellaneous | 18,991 | 18,991 | 24,787 | 5,796 |
| Total Revenue | <u>1,153,607</u> | <u>1,153,607</u> | <u>1,222,550</u> | <u>68,943</u> |
| Expenditures: | | | | |
| Public Health | | | | |
| Personnel | 453,700 | 453,700 | 320,313 | 133,387 |
| Chemicals | 320,680 | 320,680 | 182,532 | 138,148 |
| Office and Administrative | 101,300 | 101,300 | 81,229 | 20,071 |
| Treasurer's Fees | 35,000 | 35,000 | 30,683 | 4,317 |
| Insurance | 22,000 | 22,000 | 25,254 | (3,254) |
| Testing | 26,000 | 26,000 | 18,757 | 7,243 |
| Field Equipment, Supplies, and Truck Expenditures | 69,500 | 69,500 | 33,527 | 35,973 |
| Building Maintenance and Shop Expenditures | 40,000 | 40,000 | 18,960 | 21,040 |
| Surveillance | 15,000 | 15,000 | 2,459 | 12,541 |
| GIS / GPS | 20,000 | 20,000 | 2,200 | 17,800 |
| Promotion and Public Education | 10,000 | 10,000 | 4,053 | 5,947 |
| Interest | - | - | - | - |
| Capital Outlay | 1,344,878 | 1,344,878 | 945,752 | 399,126 |
| Contingency | 90,000 | 90,000 | - | 90,000 |
| Total Expenditures | <u>2,548,058</u> | <u>2,548,058</u> | <u>1,665,719</u> | <u>882,339</u> |
| Deficiency of Revenues Over Expenditures | <u>(1,394,451)</u> | <u>(1,394,451)</u> | <u>(443,169)</u> | <u>951,282</u> |
| Other Financing Sources: | | | | |
| Sale of Capital Assets | - | - | 26,310 | 26,310 |
| Net Change in Fund Balance | <u>(1,394,451)</u> | <u>(1,394,451)</u> | <u>(416,859)</u> | <u>977,592</u> |
| Fund Balances - Beginning of Year | <u>2,786,241</u> | <u>2,786,241</u> | <u>2,786,241</u> | <u>-</u> |
| Fund Balances - End of Year | <u>\$ 1,391,790</u> | <u>\$ 1,391,790</u> | <u>\$ 2,369,382</u> | <u>\$ 951,282</u> |

The accompanying notes are an integral part of the financial statements.