

Gunnison/Hinsdale Combined Emergency Telephone Service Authority

Financial Report

December 31, 2016



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**Gunnison/Hinsdale Combined Emergency Telephone Service Authority
Financial Report
December 31, 2016**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Gunnison/Hinsdale Combined Emergency Telephone Service Authority
Gunnison, Colorado**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the General Fund, and the General Fund budgetary comparison of the Gunnison/Hinsdale Combined Emergency Telephone Service Authority (the "Authority"), as of and for the year ended December 31, 2016, which collectively comprise the Authority's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Gunnison/Hinsdale Combined Emergency Telephone Service Authority
Gunnison, Colorado

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Gunnison/Hinsdale Combined Emergency Telephone Service Authority as of December 31, 2016, 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.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis in Section B 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.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
July 18, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Gunnison/Hinsdale Combined Emergency Telephone Service Authority

Management's Discussion and Analysis December 31, 2016

As management of the Gunnison/Hinsdale Combined Emergency Telephone Service Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative summary of the financial activities of the Authority for the fiscal year ended December 31, 2016.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: 1) financial statements; and 2) notes to the financial statements. These components are discussed below.

Financial Statements: The financial statements are designed to provide readers with an overview of the Authority's finances, from both a short-term fund perspective and a long-term economic perspective.

The Balance Sheet/Statement of Net Position presents information on all the Authority's assets and liabilities (both short-term and long-term), with the difference between the two reported as fund balance or net position. The Balance Sheet column presents the financial position focusing on short-term available resources and is reported on a modified accrual basis of accounting. The Statement of Net Position column presents the financial position focusing on long-term economic resources and is reported on a full accrual basis. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenditures and Changes in Fund Balance/Statement of Activities shows how the government's fund balance and net position changed during the most recent fiscal year. Again, the Statement of Revenues, Expenditures and Changes in Fund Balance column focuses on short-term available resources and is reported on a modified accrual basis. The Statement of Activities column focuses on long-term economic resources and is reported on a full accrual basis.

The Authority adopts an annual appropriated budget for its only fund, the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The Authority's financial statements can be found on pages C1 through C3 of this report.

Notes to the Financial Statements: The notes provide a background of the entity, certain required statutes, and accounting policies utilized by the Authority. They also provide additional information that will aid in the interpretation of the financial statements. The Notes to the Financial Statements can be found on pages D1 through D9 of this report.

Financial Analysis of the Authority

Gunnison/Hinsdale Combined Emergency Telephone Service Authority's Net Position

Between December 31, 2015 and 2016, total assets of the Authority decreased by \$33,599. Capital assets of the Authority decreased by \$8,117 during 2016 as depreciation expense exceeded capital asset additions.

Between December 31, 2015 and 2016, total liabilities of the Authority decreased by \$26,065. This change in liabilities is related to the timing of payments to vendors and typically varies on an annual basis.

Approximately 11% of the Authority's net position reflects its investment in capital assets, which include improvements and equipment. The Authority uses its capital assets to provide emergency services to its citizens; therefore, these assets are not available for future spending. Of the remaining \$220,822 of net position, \$6,500 has been restricted for emergencies. The remaining balance of \$214,322 may be used to meet the Authority's ongoing obligations relating to its operations.

	<u>12/31/16</u>	<u>12/31/15</u>
Assets:		
Current assets	\$ 232,072	257,554
Capital assets	27,388	35,505
Total Assets	<u>259,460</u>	<u>293,059</u>
Liabilities:		
Current liabilities	11,250	37,315
Total Liabilities	<u>11,250</u>	<u>37,315</u>
Net Position:		
Investment in capital assets	27,388	35,505
Restricted	6,500	6,500
Unrestricted	214,322	213,739
Total Net Position	<u>\$ 248,210</u>	<u>255,744</u>

Financial Analysis of the Authority (continued)

The Authority's net position decreased \$7,534 from the prior year. This change is summarized below:

Gunnison/Hinsdale Combined Emergency Telephone Service Authority Change in Net Position

	<u>2016</u>	<u>2015</u>
Revenues:		
Telephone surcharge	\$ 214,912	213,293
Other revenue	-	174
Earnings on investments	1,112	953
Total Revenues	<u>216,024</u>	<u>214,420</u>
Expenses:		
Other purchased services	161,934	149,206
Telephone service	21,636	22,087
Repair and maintenance	14,846	2,780
Utilities	8,111	7,586
Professional services	5,837	5,169
Rental services	900	900
Office and operating supplies	459	269
Fuel and lubricant supplies	1,633	-
Equipment	-	20,268
Miscellaneous	85	3,252
Depreciation	8,119	8,117
Total Expenses	<u>223,560</u>	<u>219,634</u>
Change in Net Position	(7,536)	(5,214)
Net Position:		
Beginning of the Year	255,746	260,958
End of the Year	<u>\$ 248,210</u>	<u>255,744</u>

In 2016, revenues increased \$1,604 from 2015 levels.

Telephone surcharges were the most significant source of income.

In 2016, expenses increased \$3,926 from 2015 levels due to more purchased service expenses and less equipment expenses.

Financial Analysis of the Authority (continued)

Expenses in 2016 totaled \$223,560. The Authority's costs are approved by the Board. Administration of the Authority is also the responsibility of the Board and its officers. The largest expense during the year was for other purchased services of \$161,934. The other significant expenses incurred for 2016 were telephone service and equipment expense.

Budget Variances in the General Fund:

The Authority's revenues were \$1,638 greater than budget and expenditures were \$4,099 under budget during fiscal year 2016.

Significant budget variances in the General Fund were as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>	<u>Reason</u>
Revenues:				
Telephone surcharge	\$ 213,263	214,912	1,649	Conservative budgeting
Total Revenues	<u>214,386</u>	<u>216,024</u>	<u>1,638</u>	
Expenditures:				
Other purchased services	169,335	161,934	7,401	Conservative budgeting
Repair and maintenance	10,000	14,846	(4,846)	Unanticipated lightning damage to repeater site
Total Expenditures	<u>219,540</u>	<u>215,441</u>	<u>4,099</u>	

Capital Assets

The Authority's capital assets decreased \$8,117 in 2016, as previously discussed. There were no additions to capital assets in 2016 to offset the depreciation expense of \$8,119. Additional information as well as a detailed classification of the Authority's net capital assets can be found in the Notes to the Financial Statements on page D7 of this report.

Next Year's Budget

The Authority's General Fund balance at the end of the 2016 fiscal year totaled \$220,822. The Authority's 2017 budget anticipates revenues of approximately \$222,546 and expenditures of approximately \$225,855, of which \$0 is budgeted for capital projects.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Gunnison/Hinsdale Combined Emergency Telephone Service Authority
P.O. Box 239
Gunnison, CO 81230

BASIC FINANCIAL STATEMENTS

Gunnison/Hinsdale Combined Emergency Telephone Service Authority
Balance Sheet/Statement of Net Position
December 31, 2016

	General Fund	Adjustments	Statement of Net Position
Assets:			
Cash and cash equivalents	26,414	-	26,414
Certificate of deposit	150,000	-	150,000
Accounts receivable	31,689	-	31,689
Prepaid items	23,969	-	23,969
Capital assets, net	-	27,388	27,388
Total Assets	232,072	27,388	259,460
Liabilities:			
Accounts payable	11,250	-	11,250
Total Liabilities	11,250	-	11,250
Fund Balance/Net Position:			
Non-spendable:			
Spendable:			
Restricted for emergencies	6,500	(6,500)	-
Unassigned	214,322	(214,322)	-
Total Fund Balance	220,822	(220,822)	-
Total Liabilities and Fund Balance	232,072		
Net Position:			
Investment in capital assets		27,388	27,388
Restricted for emergencies		6,500	6,500
Unrestricted		214,322	214,322
Total Net Position		248,210	248,210

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

Gunnison/Hinsdale Combined Emergency Telephone Service Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
Statement of Activities
For the Year Ended December 31, 2016

	General Fund	Adjustments	Statement of Activities
Revenues:			
Telephone surcharge	214,912	-	214,912
Earnings on investments	1,112	-	1,112
Total Revenues	216,024	-	216,024
Expenditures/Expenses:			
Other purchased services	161,934	-	161,934
Telephone service	21,636	-	21,636
Repair and maintenance	14,846	-	14,846
Utilities	8,111	-	8,111
Professional services	5,837	-	5,837
Rental services	900	-	900
Office and operating supplies	459	-	459
Fuel and lubricant supplies	1,633	-	1,633
Miscellaneous	85	-	85
Depreciation	-	8,119	8,119
Total Expenditures/Expenses	215,441	8,119	223,560
Excess (Deficiency) of Revenues over Expenditures	583	(8,119)	(7,536)
Change Net Position	-	(7,536)	(7,536)
Fund Balance / Net Position:			
Beginning of the year	220,239		255,746
End of the year	220,822		248,210

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

Gunnison/Hinsdale Combined Emergency Telephone Service Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2016
(With Comparative Actual Amounts For the Year Ended 2015)

	2016			Final Budget Variance Positive (Negative)	2015
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Telephone surcharge	213,263	213,263	214,912	1,649	213,293
Other revenue	173	173	-	(173)	174
Earnings on investments	950	950	1,112	162	953
Total Revenues	214,386	214,386	216,024	1,638	214,420
Expenditures:					
Other purchased services	169,335	169,335	161,934	7,401	149,206
Telephone service	23,467	23,467	21,636	1,831	22,087
Repair and maintenance	10,000	10,000	14,846	(4,846)	2,780
Utilities	8,038	8,038	8,111	(73)	7,586
Professional services	5,800	5,800	5,837	(37)	5,169
Rental services	900	900	900	-	900
Office and operating supplies	500	500	459	41	269
Fuel and lubricant supplies	1,000	1,000	1,633	(633)	-
Travel, meals and lodging	500	500	-	500	-
Equipment	-	-	-	-	20,268
Miscellaneous	-	-	85	(85)	3,252
Total Expenditures	219,540	219,540	215,441	4,099	211,517
Excess (Deficiency) of Revenues Over Expenditures	(5,154)	(5,154)	583	5,737	2,903
Change in Fund Balance:	(5,154)	(5,154)	583	5,737	2,903
Fund Balance - Beginning of Year			220,239		217,336
Fund Balance - End of Year			220,822		220,239

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

NOTES TO THE FINANCIAL STATEMENTS

Gunnison/Hinsdale Combined Emergency Telephone Service Authority
Notes to the Financial Statements
December 31, 2016

I. Summary of Significant Accounting Policies

The Gunnison/Hinsdale Combined Emergency Telephone Service Authority (the "Authority") is a political subdivision incorporated under the laws of the State of Colorado. The Authority was organized to provide emergency telephone and dispatch service for Gunnison and Hinsdale Counties. The Authority is governed by a board consisting of members of the Gunnison and Hinsdale County governmental agencies and organizations.

The Authority's financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), as applied to government units. The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the Authority are discussed below.

A. Reporting Entity

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's governing board, and either, a) the ability to impose its will by the primary government, or b) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or
- 2) Fiscal dependency on the primary government and there is a potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government or (3) a jointly appointed board.

Based upon the application of these criteria, no additional organizations are includable within the Authority's reporting entity.

B. Government-wide and Fund Financial Statements

1. Government-wide Financial Statements

The Authority's basic financial statements include both government-wide (reporting the Authority as a whole) and fund financial statements (reporting the Authority's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental (i.e., normally supported by taxes and intergovernmental revenues) or business-type (i.e., relying to a significant extent on fees and charges for support) activities. Currently, the Authority performs only governmental activities.

Gunnison/Hinsdale Combined Emergency Telephone Service Authority
Notes to the Financial Statements
December 31, 2016
(continued)

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

1. Government-wide Financial Statements (continued)

In the Balance Sheet/Statement of Net position, the Statement of Net Position column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Authority's net position is reported in three parts – invested in capital assets, restricted and unrestricted. The government-wide focus is on the sustainability of the Authority as an entity and the change in the Authority's net position resulting from the current year's activities.

2. Fund Financial Statements

The financial transactions of the Authority are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The fund focus is on current available resources and budget compliance.

The Authority reports only one fund - the General Fund - which accounts for all activities of the government. Surcharges and other sources of revenue used to finance the fundamental operations of the Authority are included in this fund.

C. 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.

1. Long-term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. 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 soon enough thereafter to be used to pay liabilities of the current period (i.e., 60 days). Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

Gunnison/Hinsdale Combined Emergency Telephone Service Authority
Notes to the Financial Statements
December 31, 2016
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts

1. Cash and Cash Equivalents

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty, and investments with original maturities of three months or less.

Investments are stated at fair value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

The Authority permits investments in the following type of obligations which corresponds with State statutes:

- U.S. Treasury Obligations (maximum maturity of 60 months)
- Federal Instrumentality Securities (maximum maturity of 60 months)
- FDIC-insured Certificates of Deposit (maximum maturity of 18 months)
- Corporate Bonds (maximum maturity of 36 months)
- Prime Commercial Paper (maximum maturity of 9 months)
- Eligible Bankers Acceptances
- Repurchase Agreements
- General Obligations and Revenue Obligations
- Local Government Investment Pools
- Certain Money Market Mutual Funds

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts. However, no allowance for uncollectible accounts has been established, as the Authority considers all accounts to be collectible.

3. Capital Assets

Capital assets, which include improvements and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at cost.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital expenditures for projects are capitalized as projects are constructed and completed. Interest incurred during the construction phase, if applicable, is not capitalized as part of the value of the fixed asset.

Gunnison/Hinsdale Combined Emergency Telephone Service Authority
Notes to the Financial Statements
December 31, 2016
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

4. Categories and Classification of Fund Balance

Governmental accounting standards establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, include Non-spendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund Balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the general fund. The general fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. For further details of various fund balance classifications refer to Note IV.D.

5. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of differences between the governmental fund Balance Sheet and the government-wide Statement of Net position

The governmental fund Balance Sheet/Statement of Net Position includes an adjustment column. Explanation of the adjustment included in this column is as follows:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. \$27,388 represents the net book value of capital assets at December 31, 2016.

B. Explanation of differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance/Statement of Activities includes an adjustment column. Explanations of the adjustments included in this column are as follows:

Governmental funds report capital outlays as expenditures when incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The adjustment of \$8,119 is depreciation expense related to capital assets. There were no capital asset additions in the current year.

Gunnison/Hinsdale Combined Emergency Telephone Service Authority
Notes to the Financial Statements
December 31, 2016
(continued)

III. Stewardship, Compliance, and Accountability

A. Budgets and Budgetary Accounting

In the fall of each year, the Authority's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The budget for the governmental fund is adopted on a basis consistent with U.S. GAAP.

- (1) On or before October 15, 2015, the Authority submitted to the Board a recommended budget that detailed the revenues necessary to meet the Authority's operating requirements.
- (2) After appropriate public notice and a required public hearing, the Board adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year on or before December 15, 2015.
- (3) After adoption of the initial budget resolution, the Authority may make the following changes: (a) it may approve supplemental appropriations to the extent of revenues in excess of the estimated in the budget; (b) it may approve emergency appropriations; and (c) it may reduce appropriations for which originally estimated revenues are insufficient.

B. 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 that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increases, a mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net 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 debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal 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, and salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year revenue. As required by TABOR, the Authority has reserved \$6,500 of its fund balance in the General Fund for emergencies, which is the approximate required reserve at December 31, 2016.

The Authority'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, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

Gunnison/Hinsdale Combined Emergency Telephone Service Authority
Notes to the Financial Statements
December 31, 2016
(continued)

IV. Detailed Notes on All Funds

A. Deposits and Investments

The Authority's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the City's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. The carrying amount of the City's demand deposits was \$26,913 at year end.

Fair Value of Investments

The Authority measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

At December 31, 2016, the Authority had the following recurring fair value measurements:

Investments Measured at Fair Value	Total	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Certificates of deposit	\$ 150,000	-	150,000	-
Total	\$ 150,000	-	150,000	-

Investments classified in Level 1 are valued using prices quoted in active markets for those securities. Investments classified in Level 2 are valued using the following approaches:

- Certificates of Deposit: matrix pricing based on the securities' relationship to benchmark quoted prices.

Interest Rate Risk: As a means of limiting its exposure to interest rate risk, the Town coordinates its investments maturities to closely match cash flow needs and restricts the maximum investments term to less the five years from the purchase date. As a result of the limited length on maturities, the Town has limited its interest rate risk.

Credit Risk. State law and District policy limit investments to those authorized by State statutes including U.S. Agencies and 2a7-like pools. The Authority's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Gunnison/Hinsdale Combined Emergency Telephone Service Authority
Notes to the Financial Statements
December 31, 2016
(continued)

IV. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

At December 31, 2016, the Authority had the following investments and maturities:

	Carrying Amounts	Maturities	
		Less than one year	One to five years
<i>Cash and cash equivalents:</i>			
Checking	\$ 10,611	\$ 10,611	\$ -
Money market	16,302	16,302	-
<i>Total cash and cash equivalents</i>	<u>26,913</u>	<u>26,913</u>	<u>-</u>
<i>Investments:</i>			
Certificates of deposit	150,000	-	150,000
<i>Total investments:</i>	<u>150,000</u>	<u>-</u>	<u>150,000</u>
 Total cash and investments	 <u>\$ 176,913</u>	 <u>\$ 26,913</u>	 <u>\$ 150,000</u>

B. Receivables

At December 31, 2016, the Authority had receivables of \$31,689.

C. Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	<u>1/1/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/16</u>
Capital assets, being depreciated:				
Machinery and equipment	\$ 705,323	-	-	705,323
Total	<u>705,323</u>	<u>-</u>	<u>-</u>	<u>705,323</u>
Less accumulated depreciation for:				
Machinery and equipment	669,818	8,117	-	677,935
	<u>669,818</u>	<u>8,117</u>	<u>-</u>	<u>677,935</u>
 Total capital assets, net	 <u>\$ 35,505</u>	 <u>(8,117)</u>	 <u>-</u>	 <u>27,388</u>

Gunnison/Hinsdale Combined Emergency Telephone Service Authority
Notes to the Financial Statements
December 31, 2016
(continued)

IV. Detailed Notes on All Funds (continued)

D. Fund Balances and Net position

The Authority classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts inherently non-spendable since they represent inventories, prepaid items, long-term portion of loans receivable, etc.

Spendable Fund Balance:

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the Board of Directors.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board of Directors or its management designee.

Unassigned – includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The Authority uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the Authority would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Authority does not have a formal minimum fund balance policy. However, the Authority's budget includes a calculation of a targeted reserve positions and management calculates targets and report them annually to the Board of Directors.

In the Balance Sheet/Statement of Net Position, net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

Gunnison/Hinsdale Combined Emergency Telephone Service Authority
Notes to the Financial Statements
December 31, 2016
(continued)

V. Other Information

A. Management Contract

The Authority has an arrangement with the City of Gunnison (the "City"), a related party by virtue of the City's involvement in the Authority, whereby the City provides personnel services to the Authority. The City receives a reimbursement for these services equal to 20% of the fully burdened compensation costs associated with the personnel involved. During 2016, the Authority incurred approximately \$124,694 in fees relating to this arrangement.

B. Legal Claims

During the normal course of business, the Authority incurs claims and other assertions against it from various agencies and individuals. Management of the Authority and their legal counsel feel none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of the financial statements at December 31, 2016.

C. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; and errors and omissions. The Authority carries insurance coverage for risks of loss. This insurance coverage is included as a part of the City of Gunnison's insurance coverage. During 2016, the City of Gunnison did not request any remuneration for the insurance policies in place.

The Authority has not materially changed its coverage from previous years. Based on the lack of previous loss occurrences, the Authority has not recorded any liability for unpaid claims at December 31, 2016.

D. Subsequent Events

Management has evaluated subsequent events through July 18, 2017, the date these financial statements were available to be issued.