

ELBERT COUNTY COMMUNICATIONS AUTHORITY

FINANCIAL STATEMENTS

December 31, 2017

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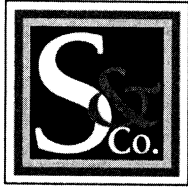
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Office of the State Auditor

May 17, 2018

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Certified Public Accountants

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Independent Auditor's Report

Board of Directors
Elbert County Communications Authority
Elbert County, Colorado

We have audited the accompanying financial statements of the governmental activities and the major fund of the Elbert County Communications Authority (Authority) as of and for the year ended December 31, 2017, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Elbert County Communications Authority, as of December 31, 2017, and the respective changes in financial position 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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages III through VII be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
May 7, 2018

ELBERT COUNTY COMMUNICATIONS AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2017

As management of Elbert County Communications Authority (the Authority), we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2017.

The Authority was formed during 2010 by an Inter-governmental Agreement between Agate Fire Protection District, Big Sandy Fire Protection District, Elbert Fire Protection District, Elizabeth Fire Protection District, Kiowa Fire Protection District, North Central Fire Protection District, Rattlesnake Fire Protection District, Town of Elizabeth, Town of Kiowa, Town of Simla and Elbert County.

Financial Highlights

- The net position of the Authority at the close of the most recent fiscal year was \$744,850.
- The Authority's net position increased by \$303,824. During 2017, the Authority replaced a structurally deficient and outdated radio tower at a total cost of \$395,216 which was funded partially by an Energy & Mineral Impact Assistance Grant in the amount of \$191,850 and from contributions totaling \$26,500.
- At close of the current fiscal year, the Authority's governmental fund reported an ending total fund balance of \$213,039.

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 financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. 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 activities presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as an underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Both of the government-wide financial statements identify functions of the Authority that are principally supported by 911 fees (governmental activities). The governmental activities of the Authority include the financing, construction of and maintenance of emergency telephone service infrastructure, and the payment for dispatch services from the Douglas County Sheriff's Office with fees from the individual county, towns and districts.

The government-wide financial statements can be found on pages 1 – 2 of this report.

**ELBERT COUNTY COMMUNICATIONS AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

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. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority has one governmental fund.

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 the balance 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 funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenue, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Authority maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, which is considered to be a major fund.

The governmental fund financial statements can be found on pages 3 – 5 of this report.

Budget. The Authority adopts an annual appropriated budget for its fund. A budgetary comparison statement has been provided for the governmental fund to demonstrate compliance with this budget on page 6.

Notes to the 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 7 – 15 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may, over time, serve as a useful indicator of the Authority's financial position. The Authority's assets exceeded liabilities by \$744,850 at the close of the most recent fiscal year.

Just under three quarters of the Authority's net position (71.66 percent) reflects its investment in capital assets (e.g. structures, buildings, equipment and intangibles). The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

At the end of the current fiscal year the Authority is able to report a positive balance in net position.

**ELBERT COUNTY COMMUNICATIONS AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

Statement of Net Position

	2017	2016
Current assets	\$ 262,221	\$ 352,027
Capital assets	602,590	225,883
Total assets	864,811	577,910
Current liabilities	51,133	35,510
Long-term liabilities	68,828	101,374
Total liabilities	119,961	136,884
Net position		
Net investment in capital assets	533,762	124,509
Unrestricted	211,088	316,517
Total net position	\$ 744,850	\$ 441,026

The Authority's assets increased by \$286,901 during the current fiscal year due to the replacement of an outdated radio tower and equipment.

Statement of Activities

	2017	2016
Revenue:		
Charges for services:		
911 fees	\$ 390,164	\$ 383,633
Per call fees	19,860	18,612
Member other fees	41,333	30,127
Operating grants and contributions:		
Lease reimbursement	36,377	-
Capital Grants and Contributions:		
Grant	191,850	-
Contributions	26,500	-
General Revenue:		
Investment income	1,760	1,239
Miscellaneous income	-	6
Total revenue	707,844	433,617
Expenses:		
Emergency communications	150,723	160,029
Administrative	40,811	43,742
Dispatch services	209,577	194,305
Interest and fiscal charges	2,909	2,873
Total expenses	404,020	400,949
Change in net position	303,824	32,668
Net position-beginning	441,026	408,358
Net position-ending	\$ 744,850	\$ 441,026

**ELBERT COUNTY COMMUNICATIONS AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

Total Revenue increased by \$274,227 attributed to being the recipient of an Energy & Mineral Impact Assistance Grant of \$191,850, contributions of \$26,500 and additional fees from members for dispatch fees and lease payments that are reimbursed by members of the Authority.

Total Expenses increased by \$3,071 as a result of higher dispatch fees that are reimbursed by members of the Authority.

Financial Analysis of the Government's Funds

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Authority governmental fund is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, assigned fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

As of the end of the current year, the Authority's governmental fund reported an ending total fund balance of \$213,039.

Capital Assets

The Elbert County Communications Authority's investment in capital assets as of December 31, 2017 amounts to \$602,590 (net of accumulated depreciation). This investment in capital assets includes buildings, structures, equipment and software. The Authority's investment in capital assets increased by \$376,707 during the current fiscal year as new investments exceeded depreciation and amortization.

Long-term debt.

At the end of the current fiscal year, Elbert County Communications Authority had no bonded debt outstanding. The Authority did have \$68,828 of a capital lease outstanding. The capital lease was entered into on behalf of certain members of the Authority and the annual lease payments will be reimbursed to the Authority by the participating members. As of December 31, 2017 there was \$1,951 of accrued interest on the capital lease outstanding.

General Fund Budgetary Highlights

The Authority's total expenditures for 2017 were under the budgeted amount by \$138,694.

Economic Factors and Next Year's Budget

The Authority has budgeted \$617,230 for spending in the 2018 fiscal year which consists of \$195,362 for dispatch services, \$117,000 in capital improvements and the remainder for administrative and on-going operational expenses. For revenues the Authority is projecting \$471,189 from telephone surcharge of \$1.20 per line per month, member contributions, lease reimbursements and investment interest. The budget deficit of \$146,041 has been assigned to the general fund leaving a balance of \$46,102 available for appropriation.

**ELBERT COUNTY COMMUNICATIONS AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

The Authority relies upon the telephone surcharge for the majority of its revenue and while there has been an increase in growth for Elbert County it is uncertain how long this trend will continue and how the growth will result in additional telephone surcharge collection. The Authority will continue to monitor the situation for any potential long-term impact on providing emergency dispatch services to its residents.

Requests for Information

This financial report is designed to provide a general overview of the Elbert County Communications 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 financial information should be addressed to:

**Elbert County Communications Authority
P.O. Box 992
Elizabeth, CO 80107**

Basic Financial Statements

**ELBERT COUNTY COMMUNICATIONS AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2017**

		Governmental Activities
ASSETS		
Cash deposits	\$	65,065
Investments		143,504
Intergovernmental receivable		49,252
Prepaid Expenses		4,400
Capital assets (not being depreciated)		42,870
Capital assets (net of accumulated depreciation/amortization)		559,720
TOTAL ASSETS		864,811
 LIABILITIES		
Accounts payable		49,182
Accrued interest		1,951
Long-term liabilities		
Due within one year		33,776
Due in more than one year		35,052
TOTAL LIABILITIES		119,961
 NET POSITION		
Net investment in capital assets (net of related debt)		533,762
Unrestricted		211,088
TOTAL NET POSITION	\$	744,850

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

ELBERT COUNTY COMMUNICATIONS AUTHORITY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

Functions/Programs	Program Revenues				Total Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Emergency communications	\$ (150,723)	\$ 393,204	\$ -	\$ 218,350	\$ 460,831
Administration	(40,811)	-	-	-	(40,811)
Dispatch services	(209,577)	58,153	-	-	(151,424)
Interest and fiscal charges	(2,909)	-	36,377	-	33,468
Total governmental-type activities	\$ (404,020)	\$ 451,357	\$ 36,377	\$ 218,350	302,064
General revenue:					
Net investment income					1,760
Total general revenue					1,760
Change in net position					303,824
Net Position – beginning					441,026
Net Position – ending					\$ 744,850

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

**ELBERT COUNTY COMMUNICATIONS AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2017**

ASSETS	
Cash deposits	\$ 65,065
Investments	143,504
Intergovernmental receivable	49,252
Prepaid expenditures	4,400
TOTAL ASSETS	<u>\$ 262,221</u>
 LIABILITIES	
Accounts payable	\$ 49,182
TOTAL LIABILITIES	<u>49,182</u>
 FUND BALANCE	
Non-spendable:	
Prepaid expenditures	4,400
Assigned fund balance	146,041
Unassigned fund balance	62,598
TOTAL FUND BALANCE	<u>213,039</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 262,221</u>
 Total Fund Balance Governmental Fund	
	\$ 213,039
 Amount reported for governmental activities in the statement of net position are different because:	
Capital Assets used in governmental activities are not financial resources and therefore, are not reported in the fund balance sheet.	602,590
 Long-term liabilities, including leases payable and accrued interest used to fund capital assets are not due and payable in the current period and therefore not reported in the fund.	
Lease payable	(68,828)
Accrued interest	(1,951)
Net position of the governmental activities	<u>\$ 744,850</u>

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

**ELBERT COUNTY COMMUNICATIONS AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE-GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2017**

	General
REVENUES:	
911 fees	\$ 390,164
Per call fees	19,860
Member other charges	77,710
Grants	191,850
Contribution income	26,500
Net investment income	1,760
TOTAL REVENUES	707,844
 EXPENDITURES:	
Telephone maintenance fees	9,677
Repairs and maintenance	6,718
Network monitoring	4,407
Equipment	1,054
GIS services	2,568
County GIS services	18,000
Communications	15,130
Accounting and auditing	12,200
Software maintenance fees	13,421
Legal	22,524
Insurance	4,742
Lease of tower and T1	15,501
Dispatch services	117,730
Elbert County E-9-1-1 funds	91,847
Public education/IDT	150
Training	4,438
Radio grants	6,300
Capital outlay	430,066
Other	1,345
TOTAL EXPENDITURES	777,818
 EXCESS OF REVENUES (UNDER) EXPENDITURES	(69,974)
 OTHER FINANCING (USES)	
Lease principal	(32,546)
Lease interest	(3,831)
TOTAL OTHER FINANCING (USES)	(36,377)
 EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES	(106,351)
 FUND BALANCE, BEGINNING OF YEAR	319,390
FUND BALANCE, END OF YEAR	\$ 213,039

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

**ELBERT COUNTY COMMUNICATIONS AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE-GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

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

Governmental funds changes in fund balance	\$ (106,351)
 Add:	
Governmental funds report capital outlay as expenditures and the gain or loss on disposal of capital assets is not reported. However, in the Statements of Activities the cost of those assets is allocated over their useful lives as reported as depreciation expense.	
Capital outlay	430,066
Depreciation/amortization	(53,359)
 Long-term debt (e.g. lease payable, accrued interest) provide current financial resources to government funds, while the repayment of the principal of the long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Lease principal	32,546
Change in accrued interest	922
Governmental activities change in net position	\$ 303,824

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

**ELBERT COUNTY COMMUNICATIONS AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2017**

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
911 fees	\$ 388,500	\$ 390,164	\$ 1,664
Per call fees	19,860	19,860	-
Member other charges	77,709	77,710	1
Grants	191,850	191,850	-
In-kind revenue	19,800	-	(19,800)
Contribution income	24,000	26,500	2,500
Net investment income	500	1,760	1,260
TOTAL REVENUES	<u>722,219</u>	<u>707,844</u>	<u>(14,375)</u>
EXPENDITURES:			
Telephone maintenance fees	10,500	9,677	823
Repairs and maintenance	10,000	6,718	3,282
Network monitoring	6,500	4,407	2,093
Equipment	15,000	1,054	13,946
GIS services	15,600	2,568	13,032
County GIS services	18,000	18,000	-
Communications	15,700	15,130	570
Accounting and auditing	12,200	12,200	-
Software maintenance fees	13,420	13,421	(1)
Legal	26,915	22,524	4,391
Insurance	4,500	4,742	(242)
Lease of tower and T1	15,300	15,501	(201)
Dispatch services	117,731	117,730	1
Elbert County E-9-1-1	91,847	91,847	-
Public education/IDT	5,000	150	4,850
Training	5,000	4,438	562
Radio Grant	18,000	6,300	11,700
EOC improvements	2,000	-	2,000
Capital outlay	511,914	430,066	81,848
Other	1,385	1,345	40
TOTAL EXPENDITURES	<u>916,512</u>	<u>777,818</u>	<u>138,694</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>(194,293)</u>	<u>(69,974)</u>	<u>124,319</u>
OTHER FINANCING (USES)			
Lease principal	(33,791)	(32,546)	(1,245)
Lease interest	(2,586)	(3,831)	1,245
TOTAL OTHER FINANCING (USES)	<u>(36,377)</u>	<u>(36,377)</u>	<u>-</u>
REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(230,670)</u>	<u>(106,351)</u>	<u>124,319</u>
FUND BALANCE, BEGINNING OF YEAR	299,870	319,390	19,520
FUND BALANCE, END OF YEAR	<u>\$ 69,200</u>	<u>\$ 213,039</u>	<u>\$ 143,839</u>

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

ELBERT COUNTY COMMUNICATIONS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 – DEFINITION OF REPORTING ENTITY

Elbert County Communications Authority (Authority), a legally separate entity, was established June 29, 2010 by an Intergovernmental Agreement between the Towns of Simla, Kiowa and Elizabeth; and Fire Protection Districts of Kiowa, Elizabeth, Agate, Rattlesnake, Big Sandy and North Central. The Authority was established pursuant to State Statute Article 11 of Title 29. The purpose of the Authority is to provide emergency dispatch services to residents in Elbert County.

The Elbert County Commissioners and the Elbert County Sheriff's Office became a part of the Authority on August 31, 2010.

The Authority has no employees or operational functions. Administrative services are contracted.

The Authority is authorized by statute to collect a per month fee from those portions of the service area for which emergency telephone service is provided by both wireline and wireless service. The Public Utilities Commission authorizes the rate that can be charged. The Public Utilities Commission has approved and the Authority has imposed a \$1.20 per month surcharge to both wireline and wireless phone services. The funds collected shall be spent for the cost of equipment and installation, and for costs directly related to the continued operation of an emergency telephone service. The 911 fee revenue is reflected net of a 2% vendor collection fee.

The Authority follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organization and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization as a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The Authority is not financially accountable for any other organization, nor is the Authority a component unit of any other primary governmental entity.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 nonfiduciary activities of the government.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Authority has no business-type activities.

The statement of net position reports all financial and capital resources of the Authority. The difference between assets and liabilities of the Authority are reported as net position.

ELBERT COUNTY COMMUNICATIONS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, 2) grants, contributions or fees paid by members that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenues.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are fees. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The Authority reports the following major governmental fund:

The **General Fund** – is the Authority’s primary operating fund. It accounts for all financial resources of the general government.

Capital Assets

Capital assets, which include equipment and intangibles (software), are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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 date of donation. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend an asset’s life are not capitalized. The capital assets are being depreciated/amortized over the following useful lives.

	<u>Years</u>
Buildings and Structures	30
Equipment	4 – 10
Software	5

ELBERT COUNTY COMMUNICATIONS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities type statement of net position.

Fund Balances – Governmental Fund

Fund balance for governmental funds maybe reported in the categories listed below to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance – the amounts constrained to specific purposes by their providers (such as grantors, bondholders, or higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the Authority itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the Authority takes the same highest level action to remove or change the constraint.

Assigned fund balance – amounts the Authority intends to use for a special purpose. Intent can be expressed by the Authority Board of Directors or by an official or body to which the Authority Board of Directors delegates the authority.

Unassigned fund balance – amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Authority considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned, or unassigned fund balances are available, the Authority considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Authority Board of Directors has provided otherwise in its commitment or assignment actions.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Formal budgetary integration is employed as management control device during the year for all the funds. Formal budgetary integration is also employed to comply with Budget Law of the State of Colorado. The Board of Directors adopted the Authority’s budget in accordance with the Colorado Revised Statutes. Appropriation for all funds lapses at year-end.

The appropriated budget is prepared by function. The Executive Committee approves the moving of expenditures among line items by function.

**ELBERT COUNTY COMMUNICATIONS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

The budgets for governmental fund types are adopted on a basis which is consistent with (GAAP). The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is the fund level. Total fund expenditure amounts determine the level at which expenditures may not legally exceed appropriations. Colorado Revised Statutes require the Authority to adopt a balanced budget. The Authority’s Board of Directors can amend the budget and adopt supplemental budgets in accordance with the Colorado Revised Statutes.

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS 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 regulations. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the Public Deposit Protection Act (“PDPA”). The PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Custodial credit risk is the risk that in the event of a bank failure, the Authority’s deposit may not be returned to it. As of December 31, 2017, the Authority deposits were not exposed to custodial credit risk as all deposits were insured by the Federal Deposit Insurance Commission (FDIC) and collateralized in accordance with PDPA.

The Authority’s bank deposit as of December 31, 2017 is detailed below:

	<u>Bank Balance</u>	<u>Carrying Balance</u>
Insured Deposit	<u>\$ 41,830</u>	<u>\$ 65,065</u>

Investments

The Authority has not adopted a formal investment policy, however, the Authority follows Colorado State Statutes. Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest:

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

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- Local government investment pools.

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from prevailing market interest rates. Colorado Revised Statutes limit investment maturities to three to five years or less unless formally approved by the Board of Directors.

Concentration of Credit Risk – The Authority does not have a policy that addresses limitations on the amount that can be invested in any one issuer; however, the Authority invests primarily in local government investment pools, which are not subject to concentration of credit risk.

COLOTRUST - At December 31, 2017, the Authority has invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both 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 with certain U.S. government agencies or instrumentalities. COLOTRUST PLUS+ may also invest in the highest rated commercial paper. Both the COLOTRUST PRIME and COLOTRUST PLUS+ portfolios are rated AAAm by Standard & Poor’s.

Investment Valuation – Certain investments are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by general accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset’s fair value: 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 Authority has investments not categorized within the fair value hierarchy. These investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The Authority held investments in COLOTRUST at year end for which the investment valuations were determined as follows.

COLOTRUST determines the NAV of the shares of each portfolio as of the close of business of each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of COLOTRUST, are accrued daily. The NAV is calculated at fair value using various inputs in determine value in accordance with FASB guidance. It is the goal of the TRUST to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by COLOTRUST and there can be no assurance that the NAV will not vary from \$1.00 per share.

The valuation of the Authority’s investments are as follows at December 31, 2017:

Investments measured at NAV	
COLOTRUST	\$ 143,504
Total investments at NAV	\$ 143,504

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B. CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2017 follows:

	Balance at December 31, 2016	Additions	Deletions	Balance at December 31, 2017
Capital assets, not being depreciated				
Construction in progress	\$ 8,020	\$ -	\$ 8,020	\$ -
Equipment not deployed	-	42,870	-	42,870
Total capital assets not being depreciated	<u>8,020</u>	<u>42,870</u>	<u>8,020</u>	<u>42,870</u>
Capital assets, being depreciated/amortized				
Software	244,600	-	-	244,600
Building and structures	-	278,138	-	278,138
Equipment	294,117	117,078	-	411,195
Total capital assets being depreciated/amortized	<u>538,717</u>	<u>395,216</u>	<u>-</u>	<u>933,933</u>
Less depreciation/amortization				
Software	(244,600)	-	-	(244,600)
Building and structures	-	(3,863)	-	(3,863)
Equipment	(76,254)	(49,496)	-	(125,750)
Total accumulated depreciation/amortization	<u>(320,854)</u>	<u>(53,359)</u>	<u>-</u>	<u>(374,213)</u>
Total capital assets being depreciated/amortized, net	217,863	341,857	-	559,720
Capital assets, net	<u>\$ 225,883</u>	<u>\$ 384,727</u>	<u>\$ 8,020</u>	<u>\$ 602,590</u>

The Authority charged depreciation and amortization of \$53,359 to the Emergency Communications function/program for the year ending 2017.

C. LONG TERM DEBT

The following is an analysis of change in long-term debt obligations for the year ended December 31, 2017:

Balance as of January 1, 2017	\$ 101,374
Addition	-
Retirement	32,546
Balance as of December 31, 2017	<u>\$ 68,828</u>

The Authority entered into a Lease Purchase Agreement (the Lease) with Motorola Solutions Credit Company, LLC on March 29, 2016 to purchase radio equipment on behalf of certain members of the Authority. The Lease requires three annual payments of \$36,377 beginning on April 1, 2017 and ending on April 1, 2019 which includes interest at 3.779% compounded annually. The Lease is secured by the equipment being leased (radios) with an original cost of \$101,374. At December 31, 2017 the radios had accumulated depreciation of \$44,351.

The annual requirement to pay all lease obligations as of December 31, 2017 is as follows:

Year	Interest	Principal	Total
2018	\$ 2,601	\$ 33,776	\$ 36,377
2019	1,325	35,052	36,377
	<u>\$ 3,926</u>	<u>\$ 68,828</u>	<u>\$ 72,754</u>

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As of December 31, 2017 there was accrued interest of \$1,951 on the Lease.

D. FUND EQUITY

At December 31, 2017, the Authority reported the following classifications of fund equity.

Non-spendable Fund Balance

The non-spendable fund balance, in the General Fund in the amount of \$4,400, is comprised of prepaid amounts which are not in spendable form.

Assigned Fund Balance

The assigned fund balance, in the General Fund in the amount of \$146,041, is comprised of the amounts assigned by the Board of Directors by a resolution to eliminate the projected budgetary deficit in the subsequent year's budget.

E. NET POSITION

The Authority has net position consisting of two components – net investment in capital assets and unrestricted.

Net investment capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. As of December 31, 2017, the net investment in capital assets was \$533,762.

NOTE 5 – OTHER INFORMATION

A. Risk Management

The Authority is exposed to various risks of loss related to torts, thefts or damage to, or destruction of assets; errors or omissions; or acts of God.

The Authority was a member of Colorado Special Districts Property and Liability Pool (Pool) during 2017. The Pool is an organization created by intergovernmental agreement to provide property, liability and public officials' liability coverage to its members. There have been no settled claims in the last four years.

The Authority has paid annual premiums to the Pool for liability, property and public officials' liability coverage. 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 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.

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B. Dispatch Services Contract

On September 8, 2014 the Authority entered into an intergovernmental agreement with Douglas County to provide emergency response communications and dispatch services to 10 of the 11 agencies of the Authority for a term of four years beginning January 1, 2015 through December 31, 2018. The base contract price will be adjusted on an annual basis based on the actual number of calls between July 1st and June 30th of the prior year multiplies by a per call rate of \$26.28 per call. In addition to the base contract, actual traffic stops resulting in a ticket being issued will be bill at the call rate of \$26.28 each. The base contract and the actual traffic tickets are due in four quarterly payments with one fourth of the base contract plus the actual traffic tickets for the previous quarter due on April 30th, July 31st, October 31st and January 31st of the next year.

The excluded agency entered into their own contract with Douglas County for their dispatch services. The Authority remitted to the agency a portion of the collected 9-1-1 surcharges on a quarterly basis for a total of \$91,847. Total emergency response communications and dispatch services for 2017 were \$209,577.

On October 14, 2015 the Authority entered into the first addendum to the intergovernmental agreement with Douglas County to provide emergency response communications and dispatch services. The base contract price for January 1, 2016 through December 31, 2016 decreased to \$74,450 and the per call rate for actual traffic stops resulting in a ticket being issued will be billed at the call rate of \$24.33 each.

On December 13, 2016 the Authority entered into the second addendum to the intergovernmental agreement with Douglas County to provide emergency response communications and dispatch services. The addendum amends the actual traffic stops resulting in a ticket being issued to a fixed amount based on the actual number of traffic stops resulting in a ticket being issued between July 1st and June 30th of the prior year multiplied by the per call rate of \$24.39 as established in the this addendum. The Authority paid \$79,438 plus \$38,292 for traffic stops for a total of \$117,730 in 2017 under the contract with Douglas County.

On December 19, 2017 the Authority entered into the third addendum to the intergovernmental agreement with Douglas County to provide emergency response communications and dispatch services. The base contract price for January 1, 2018 through December 31, 2018 increased to \$82,192 at the per call rate of \$22.25. In addition the base traffic stop decreased to \$20,871 at the per call rate of \$22.25 for a total of \$103,062.

C. Tax, Spending and Debt Limitations

Colorado voters passed an amendment to the State Constitution in 1992, Article X, Section 20, (TABOR) which has several limitations, including revenue raising, spending abilities, and other specific requirements for state and local governments.

The Amendment excludes from its provision Enterprise Activities. Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10 percent of their annual revenue in grants from all state and local governments combined, are excluded from the provisions of the Amendment. The Authority's management believes a significant portion of its operations qualifies for this exclusion.

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

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The Amendment is complex and subject to judicial interpretation. The Authority management believes it is in compliance with the provisions of TABOR. However, the Authority has made certain interpretations in the Amendment's language in order to determine its compliance. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise will require judicial interpretation.