

**MONTROSE EMERGENCY TELEPHONE
SERVICE AUTHORITY**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

December 31, 2017 and 2016

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June 27, 2018

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INDEPENDENT AUDITOR'S REPORT

DONALD R. MORELAND & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Montrose Emergency Telephone Service Authority
Olathe, Colorado 81425

We have audited the accompanying financial statements of Montrose Emergency Telephone Service Authority, as of and for the years ended December 31, 2017 and 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 an opinion 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 consolidated 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 Authority'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 Authority'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Montrose Emergency Telephone Service Authority as of December 31, 2017 and 2016, and respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors
Montrose Emergency Telephone Service Authority
Page Two

Other-Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Montrose Emergency Telephone Service Authority's financial statements as a whole. The supplementary information - revenues and expenditures - budget and actual is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information - revenues and expenditures - budget and actual is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Donald R. Moreland & Associates, P.C.

Montrose, Colorado
June 11, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Montrose Emergency Telephone Service Authority, we offer readers of the Montrose Emergency Telephone Service Authority's financial statements this narrative overview and analysis of the financial activities of the Montrose Emergency Telephone Service Authority for the years ended December 31, 2017 and 2016.

Financial Highlights

- The assets of the Montrose Emergency Telephone Service Authority (also referred to as the Authority) exceeded its liabilities at December 31, 2017 by \$885,372 (net position). Of this amount, \$782,927 (unrestricted net position) may be used to meet the Authority's ongoing obligations to citizens and creditors. At the close of the prior year the Authority's net position and unrestricted net position were \$1,091,051 and \$918,851, respectively.
- The Authority's total net position increased (decreased) by \$(205,679) and \$(131,902) for the years ended December 31, 2017 and 2016, respectively.
- Authority revenues increased in 2017 mainly the result of reimbursements from other governments. In 2016, Authority revenues decreased mainly the result of reimbursements from other governments.
- Authority expenses for 2017 increased from the prior year, mainly the result of increased dispatch support. For 2016, Authority expenses increased, mainly the result of increased dispatch support.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Montrose Emergency Telephone Service Authority basic financial statements. The Authority's basic financial statements are presented as a special purpose government engaged only in business type activities - providing emergency telephone services.

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 revenues, expenses and changes in fund net position* 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 the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The *statement of cash flows* report the Authority's cash flows from operating, capital and related financing and investing activities. Also presented are beginning and end of year cash and cash equivalents.

The basic financial statements can be found on pages 7 through 9 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 10 through 15 of the report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* concerning the Montrose Emergency Telephone Service Authority's budgetary comparisons for revenues and expenditures. Supplementary information can be found on page 16 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Authority's financial position. In the case of the Montrose Emergency Telephone Service Authority, assets exceeded liabilities by \$885,372 at the close of the most recent fiscal year.

Approximately 11 percent of the Authority's net position reflect its investment in capital assets (e.g., buildings and equipment). The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Montrose Emergency Telephone Service Authority Net Position

	<u>2017</u>	<u>2016</u>
Current assets	\$ 819,767	966,236
Capital assets	102,445	172,200
Total assets	<u>922,212</u>	<u>1,138,436</u>
Current liabilities	36,840	47,385
Total liabilities	<u>36,840</u>	<u>47,385</u>
Net position:		
Net investment in capital assets	102,445	172,200
Unrestricted	<u>782,927</u>	<u>918,851</u>
Total net position	<u>\$ 885,372</u>	<u>1,091,051</u>

At the end of the current fiscal year, the Montrose Emergency Telephone Service Authority is able to report positive balances in all categories of net position. The same situation held true for the prior fiscal year.

Under the GASB 34 reporting model the audit shows the Authority's net position increased (decreased) by \$(205,679) and \$(131,902), respectively, during the years ended December 31, 2017 and 2016. This decrease in net position for 2017 and 2016 was due to increased dispatch support.

**Montrose Emergency Telephone Service Authority
Changes in Net Position**

	2017	2016
Revenues:		
Operating revenue	\$ 420,396	383,303
Non-operating revenue	2,743	1,730
Total revenues	\$ 423,139	385,033
Expenses:		
Operating expenses:		
Administrative and general	559,063	438,781
Depreciation	69,755	78,154
Total expenses	628,818	516,935
Change in net position	(205,679)	(131,902)
Net position - beginning of year	1,091,051	1,222,953
Net position - end of year	\$ 885,372	1,091,051

Total expenses have increased significantly from 2016 to 2017, mainly the result of dispatch support. Total expenses increased significantly from 2015 to 2016, mainly the result of increased dispatch support.

Budgetary highlights

Changes between actual revenues and budgeted amounts were primarily due to increased reimbursements.

Changes between actual expenses and budgeted amounts were primarily due to decreased dispatch support and decreased service contracts, telecommunication services and travel.

Capital Asset and Debt Administration

Capital assets. The Montrose Emergency Telephone Service Authority's investment in capital assets as of December 31, 2017 and 2016 amounted to \$102,445 and \$172,200, respectively, (net of accumulated depreciation). This investment in capital assets includes building and equipment.

There were no major capital asset events during the years ended December 31, 2017 and 2016.

Montrose Emergency Telephone Service Authority
Capital Assets
(net of depreciation)

	<u>2017</u>	<u>2016.</u>
Buildings	277	1,386
Equipment	102,168	170,814
Total capital assets	<u>\$102,445</u>	<u>172,200</u>

Additional information on the Authority's capital assets can be found in Note 3 of this report.

Economic Factors and Next Year's Budgets and Rates

- The Authority will continue to improve the emergency response system.

Request for information

This financial report is designed to provide a general overview of the Montrose Emergency Telephone Service Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to Montrose Emergency Telephone Service Authority, P.O. Box 911, Olathe, Colorado, 81425-0911.

FINANCIAL STATEMENTS

MONTROSE EMERGENCY TELEPHONE SERVICE AUTHORITY

STATEMENT OF NET POSITION

December 31, 2017 and 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 242,841	368,770
Certificates of deposit	233,350	233,150
Investments	218,662	216,230
Accounts receivable	106,544	135,789
Prepaid expenses	18,370	12,297
TOTAL CURRENT ASSETS	<u>819,767</u>	<u>966,236</u>
CAPITAL ASSETS		
Buildings	11,091	11,091
Equipment	342,617	342,617
	<u>353,708</u>	<u>353,708</u>
Accumulated depreciation	251,263	181,508
TOTAL CAPITAL ASSETS	<u>102,445</u>	<u>172,200</u>
TOTAL ASSETS	<u>922,212</u>	<u>1,138,436</u>
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable	36,840	47,385
TOTAL CURRENT LIABILITIES	<u>36,840</u>	<u>47,385</u>
NET POSITION		
Net investment in capital assets	102,445	172,200
Unrestricted	782,927	918,851
TOTAL NET POSITION \$	<u>885,372</u>	<u>1,091,051</u>

See Notes to Financial Statements.

MONTROSE EMERGENCY TELEPHONE SERVICE AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>OPERATING REVENUE</u>		
E911 telephone surcharges	\$ 329,664	330,013
Reimbursements	90,732	53,261
Miscellaneous		29
TOTAL OPERATING REVENUES	<u>420,396</u>	<u>383,303</u>
<u>OPERATING EXPENSES</u>		
Dispatch support	250,000	183,918
Contract services - GIS	96,795	86,631
Contract services - operations manager	3,000	1,500
Emergency notification	29,079	28,690
Supplies	120	637
Repairs and maintenance	3,584	
Service contracts	124,417	48,525
Insurance	2,747	2,705
Office		468
Postage		36
Bank charges	326	189
Telecommunication services	20,344	26,862
Professional fees	28,651	26,852
Strategic plan study		24,500
Travel and training		5,695
Depreciation and amortization	69,755	78,154
Miscellaneous		1,573
TOTAL OPERATING EXPENSES	<u>628,818</u>	<u>516,935</u>
OPERATING INCOME (LOSS)	<u>(208,422)</u>	<u>(133,632)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Investment income	2,743	1,730
NET NON-OPERATING REVENUES (EXPENSES)	<u>2,743</u>	<u>1,730</u>
CHANGE IN NET POSITION	(205,679)	(131,902)
NET POSITION - BEGINNING OF YEAR	<u>1,091,051</u>	<u>1,222,953</u>
NET POSITION - END OF YEAR	<u>\$ 885,372</u>	<u>1,091,051</u>

See Notes to Financial Statements.

MONTROSE EMERGENCY TELEPHONE SERVICE AUTHORITY

STATEMENT OF CASH FLOWS

For the years ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from users	\$ 449,641	415,008
Payments to suppliers	(575,681)	(445,034)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(126,040)</u>	<u>(30,026)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Acquisition of capital assets		(2,839)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(2,839)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Redemption of certificates of deposit	233,150	232,950
Purchase of certificates of deposit	(233,350)	(233,150)
Purchase of investment	(2,432)	(1,396)
Investment income received	2,743	1,730
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>111</u>	<u>134</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(125,929)	(32,731)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>368,770</u>	<u>401,501</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 242,841</u>	<u>368,770</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (208,422)	(133,632)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	69,755	78,154
Decrease (Increase) in receivables	29,245	31,705
Decrease (Increase) in prepaid expenses	(6,073)	(4,637)
Increase (Decrease) in accounts payable	(10,545)	(1,616)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES \$	<u>(126,040)</u>	<u>(30,026)</u>

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

MONTROSE EMERGENCY TELEPHONE SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY

The Montrose Emergency Telephone Service Authority (Authority) operates under a contract that established the Authority as a separate governmental entity on February 1, 1988 under Colorado Revised Statutes, 29-11-101. The contracting parties are Montrose County, Colorado, the City of Montrose, Colorado, the towns of Olathe, Naturita and Nucla, Colorado, the Fire Protection Districts of Montrose, Olathe, Nucla-Naturita and Paradox, Colorado, the Emergency Telephone Service Authorities of Ouray County and San Miguel County, Colorado. The Authority is governed by a board consisting of an appointed representative from each of the contracting parties. The Authority provides emergency telephone and other services to the above entities. The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements of the Authority consist only of the enterprise fund of the Authority, a stand-alone government. Based on criteria set forth by GASB, there are no component units for which the Authority is financially accountable.

B. BASIS OF PRESENTATION, BASIS OF ACCOUNTING

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are 9-1-1 emergency telephone charges to phone service consumers and reimbursements for services provided to other 9-1-1 authorities. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

Proprietary Fund Financial Statements. The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. ASSETS, LIABILITIES, AND NET POSITION

Cash and cash equivalents. The Authority considers all cash on hand and demand deposits to be cash equivalents.

Allowance for doubtful accounts. The Authority considers all accounts receivable collectible and, accordingly, provides no allowance for doubtful accounts.

Capital assets. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. It is the Authority's policy to capitalize all capital expenditures over \$1,000 with an estimated useful life in excess of two years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Depreciation is calculated using the straight-line method over the estimated useful lives. Capital assets acquired by capital lease are depreciated over the estimated useful lives and are included in depreciation expense. The estimated useful lives are as follows:

Buildings	10 years
Equipment	3 - 5 years

E. BUDGETS AND BUDGETARY ACCOUNTING

The Authority follows these procedures in establishing the budget.

- a. The Authority's treasurer submits a proposed operating budget to the Board and a public hearing is held prior to December for the following calendar year. The operating budget includes proposed expenditures and the means of financing them.
- b. Prior to January 1, the budget is enacted by passage of a resolution. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP) except that grants are budgeted as revenues, principal payments and capital outlays are budgeted as expenditures, and no provision is made for depreciation. Budgeted expenditures are appropriated in total for the Authority and the level of control is in total.
- c. The Board of Directors may authorize supplemental appropriations during the year. During 2017 and 2016, no supplemental appropriations were adopted.
- d. Appropriations lapse at the end of the year.

MONTROSE EMERGENCY TELEPHONE SERVICE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017 and 2016

2 - DEPOSITS AND INVESTMENTS

Deposits

The Colorado Public Deposit Protection Act (PDPA), requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool 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 at least equal the aggregate uninsured deposits.

Custodial Credit Risks - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2017 and 2016, none of the Authority's bank balances of \$521,080 and \$700,522, respectively, were exposed to custodial credit risk as \$483,350 and \$483,150, respectively, was insured and \$37,730 and \$217,372, respectively, was collateralized by securities pledged by financial institutions.

Investments

As of December 31, 2017 and 2016, the Authority had the following investments:

	<u>MATURITIES</u>	<u>FAIR VALUE</u>	
		<u>2017</u>	<u>2016</u>
Colotrust Plus	N/A	\$218,662	216,230

Interest rate risk

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

Credit risk

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest including obligations of the United States and certain U.S. government agency securities; certain international agency securities; general obligation and revenue bonds of U.S. local government entities; bankers' acceptances of certain banks; commercial paper; local government investment pools; written repurchase agreements collateralized by certain authorized securities; certain money market funds; and guaranteed investment contracts. The Authority has no policy that would further limit its investment choice. As of December 31, 2017 and 2016, the Authority's investment in Colotrust Plus, a 2a7-like investment pool, was rated AAAM by Standard & Poors.

MONTROSE EMERGENCY TELEPHONE SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2017 and 2016

2 - DEPOSITS AND INVESTMENTS (continued)

Concentration of credit risk

The Authority places no limit on the amount it may invest in any one issuer. More than 5 percent of the Authority's investments are in Colotrust. At December 31, 2017 and 2016, Colotrust represented 100% of the District's investments.

These investments are presented on the balance sheet as follows:

	<u>2017</u>	<u>2016</u>
Investments	<u>\$218,662</u>	<u>216,230</u>
	<u>\$218,662</u>	<u>216,230</u>

Fair value measurement

Government Accounting Standards Board Statement No. 72 (GASB 72) *Fair Value Measurement and Application* establishes a hierarchy of inputs to valuation techniques used to measure fair value and requires disclosures to be made about investment fair value measurements, the level of fair value hierarchy, and valuation techniques. According to GASB 72, an investment is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash.

The Authority records assets and liabilities in accordance with GASB 72, which establishes general principles for measuring fair value, provides additional fair application guidance and enhances disclosures about fair value measurements.

The Authority's investments and derivative instruments are measured at fair value on a recurring basis. Fair value measurements are categorized based on the valuation inputs used to measure fair value of assets and liabilities as follows.

Level 1 - Quoted prices in active markets for identical securities.

Level 2 - Prices determined using other significant observable inputs. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with the evaluated bid price supplied by the pricing service and generally categorized as Level 2 in the hierarchy.

Level 3 - Prices determined using significant unobservable inputs. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

MONTROSE EMERGENCY TELEPHONE SERVICE AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2017 and 2016

2 - DEPOSITS AND INVESTMENTS (continued)

The following table reflects the fair value of the Authority's investments and derivative instruments as of December 31, 2017 and 2016:

<u>2017</u>		<u>Fair Value Measurement Using</u>			
<u>Assets</u>		<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments					
Colostrust		\$218,662	218,662	_____	_____
Total investments		<u>\$218,662</u>	<u>218,662</u>	<u>_____</u>	<u>_____</u>
<u>2016</u>		<u>Fair Value Measurement Using</u>			
<u>Assets</u>		<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments					
Colostrust		\$216,230	216,230	_____	_____
Total investments		<u>\$216,230</u>	<u>216,230</u>	<u>_____</u>	<u>_____</u>

3 - CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2017 and 2016, were as follows:

	<u>Beginning</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u>
	<u>Balances</u>			<u>Balances</u>
<u>2017</u>				
Capital assets being depreciated:				
Buildings	\$ 11,091			11,091
Equipment	342,617			342,617
Total capital assets being depreciated	<u>353,708</u>			<u>353,708</u>
Less accumulated depreciation for:				
Buildings	9,705	1,109		10,814
Equipment	171,803	68,646		240,449
Total accumulated depreciation	<u>181,508</u>	<u>69,755</u>		<u>251,263</u>
Total capital assets, net	\$ <u>172,200</u>	<u>(69,755)</u>		<u>102,445</u>
<u>2016</u>				
Capital assets being depreciated:				
Buildings	\$ 11,091			11,091
Equipment	399,909	2,839	60,131	342,617
Total capital assets being depreciated	<u>411,000</u>	<u>2,839</u>	<u>60,131</u>	<u>353,708</u>
Less accumulated depreciation for:				
Buildings	8,595	1,110		9,705
Equipment	154,890	77,044	60,131	171,803
Total accumulated depreciation	<u>163,485</u>	<u>78,154</u>	<u>60,131</u>	<u>181,508</u>
Total capital assets, net	\$ <u>247,515</u>	<u>(75,315)</u>		<u>172,200</u>

MONTROSE EMERGENCY TELEPHONE SERVICE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2017 and 2016

4 - SHORT-TERM DEBT

The Authority had no short-term debt during the years ended December 31, 2017 and 2016.

5 - SPENDING AND DEBT LIMITATIONS

The State Constitution, Article X, Section 20, has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Section is complex and subject to judicial interpretation. It is the opinion of management and the Authority's attorney that the Authority's emergency telephone service is an enterprise within the meaning of Article X, Section 20, and is not subject to the revenue limitations nor required to establish the emergency reserves.

6 - RISK MANAGEMENT

The Authority is exposed to risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Such exposure is covered by purchase of commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SUPPLEMENTARY INFORMATION

REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

MONTROSE EMERGENCY TELEPHONE SERVICE AUTHORITY
SUPPLEMENTARY INFORMATION - REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
 For the years ended December 31, 2017 and 2016

	2017			2016		
	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES						
B911 telephone surcharges	\$ 326,500	329,664	3,164	346,870	330,013	(16,857)
Reimbursements	86,288	90,732	4,444	53,400	53,261	(139)
Investment income	1,000	2,743	1,743	700	1,730	1,030
Miscellaneous	250		(250)	250	29	(221)
TOTAL REVENUES	414,038	423,139	9,101	401,220	385,033	(16,187)
EXPENDITURES						
Dispatch support	282,313	250,000	32,313	232,313	183,918	48,395
System testing	2,000		2,000	10,000		10,000
Contract services - GIS	95,000	96,795	(1,795)	85,000	86,631	(1,631)
Contract services - operations manager	15,000	3,000	12,000		1,500	(1,500)
Emergency notification	30,050	29,079	971	29,000	28,690	310
Supplies	2,500	120	2,380	1,000	637	363
Repairs and maintenance		3,584	(3,584)			
Service contracts	104,393	124,417	(20,024)		48,525	(48,525)
Insurance	2,800	2,747	53	2,700	2,705	(5)
Administration	500		500	500		500
Office	1,150		1,150	2,000	468	1,532
Postage					36	(36)
Telecommunication services	31,000	20,344	10,656	29,500	26,862	2,638
Bank charges	300	326	(26)	300	189	111
Professional fees	36,000	28,651	7,349	43,500	26,852	16,648
Travel and training	15,000		15,000	15,000	5,695	9,305
911 Strategic Plan				15,000	24,500	(9,500)
Capital outlay					2,839	(2,839)
Miscellaneous				2,500	1,573	927
TOTAL EXPENDITURES	618,006	559,063	58,943	468,313	441,620	26,693
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES \$	(203,968)	(135,924)	68,044	(67,093)	(56,587)	10,506
Reconciliation of Excess of Revenues Over (Under) Expenditures to Change in Net Position						
Capitalized expenditures		(69,755)			2,839	(78,154)
Depreciation					(78,154)	
CHANGE IN NET POSITION PER STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		(205,679)			(131,902)	