

SAN LUIS VALLEY E-911 TELEPHONE AUTHORITY

FINANCIAL STATEMENTS

December 31, 2017

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Office of the State Auditor

June 27, 2018



**Wall,
Smith,
Bateman** Inc.

Certified Public Accountants

SAN LUIS VALLEY E-911 TELEPHONE AUTHORITY
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INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

To the Board of Directors
San Luis Valley E-911 Telephone Authority
Alamosa, Colorado

We have audited the accompanying financial statements of the business-type activities and the major fund of San Luis Valley E-911 Telephone Authority (the Authority) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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 business-type activities and the major fund of the San Luis Valley E-911 Telephone Authority, as of December 31, 2017, and the 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.

Certified Public Accountants

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Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The budgetary comparison information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Wall, Smith, Bateman Inc.
Alamosa, Colorado

June 25, 2018

SAN LUIS VALLEY E-911 TELEPHONE AUTHORITY
BASIC FINANCIAL STATEMENTS

SAN LUIS VALLEY E-911 TELEPHONE AUTHORITY
STATEMENT OF NET POSITION
December 31, 2017

ASSETS

Current Assets

Cash and Cash Equivalents	\$	659,490
Accounts Receivable		44,746
Prepaid Items		3,667
		3,667

Total Current Assets

707,903

Noncurrent Assets

Capital Assets

Equipment		1,099,768
Less: Accumulated Depreciation		(669,506)
		430,262

Total Noncurrent Assets

430,262

TOTAL ASSETS

1,138,165

LIABILITIES

Current Liabilities

Accounts Payable		124,950
		124,950

TOTAL LIABILITIES

124,950

NET POSITION

Net Investment in Capital Assets		430,262
Unrestricted		582,953
		582,953

TOTAL NET POSITION

\$ 1,013,215

SAN LUIS VALLEY E-911 TELEPHONE AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended December 31, 2017

OPERATING REVENUES

Surcharges	\$ 279,880
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Total Operating Revenues	279,880
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OPERATING EXPENSES

Line Charges	10,136
Maintenance and Repair	17,364
Training / Travel	17,528
Professional Services	7,200
Public Relations and Education	2,187
Administration	24,785
Mapping / Addressing / Database	77,316
Emergency Notification System	11,000
Capital Expenditures for Others	5,158
Depreciation	32,503

Total Operating Expenses	205,177
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Operating Income (Loss)	74,703
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NONOPERATING REVENUES (EXPENSES)

Interest Income	9,898
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Total Nonoperating Revenues (Expenses)	9,898
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Net Income (Loss)	84,601
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Net Position at Beginning of Year	928,614
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Net Position at End of Year	\$ 1,013,215
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The accompanying notes are an integral part of this financial statement.

SAN LUIS VALLEY E-911 TELEPHONE AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Surcharges	\$ 279,880
Cash Paid for Goods and Services	(147,889)
Cash Paid for Employees Services	<u>(24,785)</u>

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES 107,206

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES -

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES -

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of Capital Assets	(263,558)
Interest Income	<u>9,898</u>

NET CASH PROVIDED(USED) BY INVESTING ACTIVITIES (253,660)

Net Increase (Decrease) in Cash and Cash Equivalents (146,454)

Cash and Cash Equivalents, Beginning of Year 805,944

Cash and Cash Equivalents, End of Year \$ 659,490

OPERATING INCOME (LOSS) \$ 74,703

**Adjustments to Reconcile Operating Income (Loss) to
Net Cash Provided (Used) by Operating Activities:**

Depreciation	<u>32,503</u>
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NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES \$ 107,206

SAN LUIS VALLEY E-911 TELEPHONE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the San Luis Valley E-911 Telephone Authority (the Authority) reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*.

REPORTING ENTITY

Primary Government

The Authority was formed in 1994 pursuant to the authority granted by C.R.S. 29-1-203 and C.R.S. 29-11-102(1)(a) by and between the following entities:

- Alamosa County
- Conejos County
- Costilla County
- Mineral County
- Rio Grande County
- Saguache County
- City of Alamosa
- Town of Hooper
- Town of Antonito
- Town of Blanca
- Town of Creede
- Town of Del Norte
- City of Monte Vista
- Town of South Fork
- Town of Crestone
- Town of Saguache
- Alamosa County Fire Protection District
- South Conejos Fire Protection District
- Mineral County Fire Protection District
- Center Fire Protection District
- Northern Saguache County Fire Protection District
- Alamosa County Ambulance District
- Conejos County Hospital District
- Salida Hospital District

The purpose of the Authority is to provide emergency telephone service. The Board consists of thirteen directors, two from each county and one alternate from each county. The thirteenth member shall be the administrator of the San Luis Valley PSAP.

Component Units

The Authority's financial statements include the accounts of all Authority operations. The criteria for including organizations as component units within the Authority's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The Authority holds the corporate powers of the organization
- The Authority appoints a voting majority of the organization's board
- The Authority is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the Authority
- There is fiscal dependency by the organization on the Authority
- The organization is financially accountable to the Authority
- The organization receives or holds funds that are for the benefit of the Authority; and the Authority has access to a majority of the funds held; and the funds that are accessible are also significant to the Authority

Based on the aforementioned criteria, the San Luis Valley E-911 Telephone Authority has no component units.

SAN LUIS VALLEY E-911 TELEPHONE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2017

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The Authority's 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 when the liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services to the general public on an ongoing basis in connection with the fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

ASSETS, LIABILITIES, AND NET POSITION

Cash and Cash Equivalents

The Authority's cash and cash equivalents are considered to be cash in bank, certificates of deposit, and liquid investments with an initial maturity of three months or less from the date of acquisition.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Capital Assets

The Authority defines capital assets as assets with an initial, individual cost of more than \$5,000 and a useful life of more than one year. Depreciation is computed on a straight-line basis over the estimated useful life of the assets. Estimated useful lives range from three to twenty five years. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position should be displayed in the following three components:

- *Net investment in capital assets* - consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.
- *Restricted* - consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets consist of assets that have limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- *Unrestricted* - consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

When an expenditure is incurred for the purpose for which both restricted and unrestricted net position is available, the Authority considers restricted funds to have been spent first.

SAN LUIS VALLEY E-911 TELEPHONE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2017

Encumbrances

The Authority does not record purchase orders in the accounting system until invoices are ready for payment. Unfulfilled purchase commitments outstanding at the end of the budget year are re-budgeted in the succeeding year.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The San Luis Valley E-911 Telephone Authority follows the procedures outlined in the Financial Management Manual – A Guide for Colorado Local Governments – when preparing annual budgets. Budget procedures include:

- 1) Preparation of budget documents by administrative staff shall be submitted to the Board no later than October 15 of each year.
- 2) Publication of a notice stating that the budget is available for public inspection.
- 3) Discussion of the budget in a meeting open to the public.
- 4) Adoption of the budget in a public meeting by appropriate resolution, no later than December 31.

Formal budgetary integration is employed as a management control device for the Authority. The Authority prepares their budget following Colorado Statutes. The budget is prepared on a basis of accounting other than in accordance with generally accepted accounting principles (GAAP).

The total expenditures cannot exceed the budgeted amount unless a supplemental appropriation is adopted. There were no supplemental appropriations during 2017.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget, if applicable.

NOTE 3 CASH AND DEPOSITS

Cash and Deposits

Colorado State Statutes govern the Authority's deposits of cash. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance (FDIC) on deposits held.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories, determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized in accordance with PDPA. PDPA allows the institution to create a single collateral pool for all public funds 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 102% of the aggregate uninsured deposits. All deposits in 2017 were in eligible public depositories, as defined by the Public Deposit Protection Act of 1989.

SAN LUIS VALLEY E-911 TELEPHONE AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
December 31, 2017

Custodial Credit Risk

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. At December 31, 2017, the Authority has no exposure to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA.

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017, was as follows:

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
<i>Business-type Activities</i>				
Capital assets being depreciated				
Equipment	\$ 927,149	\$ 388,508	\$ 215,889	\$ 1,099,768
Less: Accumulated depreciation	(852,892)	(32,503)	(215,889)	(669,506)
<i>Business-type Activities, Net</i>	<u>\$ 74,257</u>	<u>\$ 356,005</u>	<u>\$ -</u>	<u>\$ 430,262</u>

NOTE 5 TABOR EMERGENCY RESERVE

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The Authority believes it is exempt from the requirements of the amendment.

NOTE 6 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage. Settled claims from these risks have not exceeded commercial insurance coverage for the current year or the three prior years.

SAN LUIS VALLEY E-911 TELEPHONE AUTHORITY
SUPPLEMENTARY INFORMATION

SAN LUIS VALLEY E-911 TELEPHONE AUTHORITY
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET ACTUAL (NON-GAAP)
Year Ended December 31, 2017

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
OPERATING REVENUES				
Surcharges	\$ 265,000	\$ 265,000	\$ 279,880	\$ 14,880
Total Operating Revenues	<u>265,000</u>	<u>265,000</u>	<u>279,880</u>	<u>14,880</u>
OPERATING EXPENSES				
Line Charges	20,000	20,000	10,136	9,864
Maintenance and Repair	50,000	50,000	17,364	32,636
Training / Travel	12,500	12,500	17,528	(5,028)
Professional Services	15,000	15,000	7,200	7,800
Public Relations and Education	11,000	11,000	2,187	8,813
Administration	30,000	30,000	24,785	5,215
Mapping / Addressing / Database	84,000	84,000	77,316	6,684
Emergency Notification System	15,000	15,000	11,000	4,000
Contingency	600,000	600,000	-	600,000
Capital Expenditures	240,000	240,000	388,508	(148,508)
Capital Expenditures for Others	24,000	24,000	5,158	18,842
Total Operating Expenses	<u>1,101,500</u>	<u>1,101,500</u>	<u>561,182</u>	<u>540,318</u>
Operating Income	<u>(836,500)</u>	<u>(836,500)</u>	<u>(281,302)</u>	<u>555,198</u>
NONOPERATING REVENUES (EXPENSES)				
Interest Income	5,000	5,000	9,898	4,898
Total Nonoperating Revenues (Expenses)	<u>5,000</u>	<u>5,000</u>	<u>9,898</u>	<u>4,898</u>
Net Income (Loss) - Budgetary Basis	<u>(831,500)</u>	<u>(831,500)</u>	<u>(271,404)</u>	<u>560,096</u>
Add: Capital Expenditures			388,508	(388,508)
Less: Depreciation			<u>(32,503)</u>	<u>(32,503)</u>
Net Income (Loss)	(831,500)	(831,500)	84,601	916,101
Net Position at Beginning of Year	<u>894,560</u>	<u>894,560</u>	<u>928,614</u>	<u>34,054</u>
Net Position at End of Year	<u>\$ 63,060</u>	<u>\$ 63,060</u>	<u>\$ 1,013,215</u>	<u>\$ 950,155</u>