

ELBERT COUNTY COMMUNICATIONS AUTHORITY

FINANCIAL STATEMENTS

December 31, 2022

TABLE OF CONTENTS

FINANCIAL SECTION	Page
Independent Auditor's Report	I
Management Discussion and Analysis	IV
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet - Governmental Fund	3
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund to the Statement of Activities	5
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	6
Notes to Financial Statements	7



Independent Auditor's Report

Board of Directors
Elbert County Communications Authority
Elbert County, Colorado

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Elbert County Communications Authority's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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

Responsibility of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages IV through VIII, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information

in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
June 5, 2023

ELBERT COUNTY COMMUNICATIONS AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED DECEMBER 31, 2022

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, 2022.

The Authority was formed during 2010 by an Inter-governmental Agreement (the IGA) 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. In September 2019, the Town of Kiowa was removed as a party from the IGA.

Financial Highlights

- The net position of the Authority at the close of the most recent fiscal year was \$964,402.
- The Authority's net position increased by \$256,388.
- During 2022, the Authority installed Digital Trunked Radio (DTR) communication equipment on an existing tower spending \$456,606 for a building and equipment that was partially funded by an Energy & Mineral Impact Assistant Grant in the amount of \$100,000, a \$200,000 contribution from Elbert County from its portion of relief funds from the American Rescue Plan Act and \$20,000 in contributions from two of the Authorities members.
- At close of the current fiscal year, the Authority's governmental fund reported an ending total fund balance of \$100,260.

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 required 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,

**ELBERT COUNTY COMMUNICATIONS AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

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.

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 \$964,402 at the close of the most recent fiscal year.

A significant portion of the Authority’s net position (89.6 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, 2022**

Statement of Net Position

	<u>2022</u>	<u>2021</u>
Current assets	\$ 173,617	\$ 295,073
Capital assets	864,142	470,908
Total assets	<u>1,037,759</u>	<u>765,981</u>
Current liabilities	<u>73,357</u>	<u>57,967</u>
Total liabilities	<u>73,357</u>	<u>57,967</u>
Net position		
Net investment in capital assets	864,142	470,908
Unrestricted	<u>100,260</u>	<u>237,106</u>
Total net position	<u>\$ 964,402</u>	<u>\$ 708,014</u>

The Authority's assets increased by \$271,778 during the current fiscal year due as a result of revenues exceeding expenditures. Liabilities increased by \$15,390 as a result of normal increases in expenditures.

Statement of Activities

	<u>2022</u>	<u>2021</u>
Revenue:		
Charges for services:		
911 fees	\$ 648,208	\$ 629,367
Per call fees	7,883	6,262
Member other fees	14,490	17,824
Operating grants and contributions:		
Grants	36,209	-
Capital grants and contributions:		
Grants	100,000	-
Contributions	220,000	7,120
General revenue:		
Investment income	<u>521</u>	<u>30</u>
Total revenue	<u>1,027,311</u>	<u>660,603</u>
Expenses:		
Emergency communications	346,613	284,417
Administrative	46,160	42,819
Dispatch services	<u>378,150</u>	<u>299,959</u>
Total expenses	<u>770,923</u>	<u>627,195</u>
Change in net position	256,388	33,408
Net position-beginning	<u>708,014</u>	<u>674,606</u>
Net position-ending	<u>\$ 964,402</u>	<u>\$ 708,014</u>

Total Revenue increased by \$366,708 due to a \$100,000 grant and \$220,000 in contributions obtained for installing Digital Trunked Radio (DTR) communication equipment along with an increase in collections of the 9-1-1

**ELBERT COUNTY COMMUNICATIONS AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

surcharge fees from growth in the County. Also the Authority received a grant of \$36,209 for CrewForce software licenses and one year of maintenance.

Total Expenses increased by \$143,728 primarily due to an increase in dispatch costs, members of the Authority purchasing more radios through the Authority’s radio grant program and the introduction of mobile data software for enabling better communication with dispatch.

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 \$100,260.

Capital Assets

The Elbert County Communications Authority’s investment in capital assets as of December 31, 2022 amounts to \$864,142 (net of accumulated depreciation). This investment in capital assets includes buildings, structures, equipment and software. The Authority’s capital assets increased by \$393,234 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.

General Fund Budgetary Highlights

The Authority due to cost run overages on the Digital Trunked Radio (DTR) communication equipment project required the Authority to amend its original budget for 2022. From the amended budget the Authority was under by \$5,051.

Economic Factors and Next Year’s Budget

The Authority relies upon the telephone surcharge for the majority of its revenue and there has been an increase in growth for Elbert County and it is anticipated to continue over the next several years. This growth has increased the number of dispatch calls for members of the Authority which in turn results in higher dispatch fees. The 9-1-1 surcharge is \$1.80 per line per month and with this continued high rate of growth, the Authority during 2022 requested and was granted a surcharge rate increase from \$1.80 to \$2.25. This increase will be effective on February 1, 2023. The on-going public health emergency related to COVID-19 showed the importance of reliable emergency communications and the Authority will continue improving reliability to ensure that emergency dispatch is available to its residents along with monitoring growth for any other potential long-term impact.

**ELBERT COUNTY COMMUNICATIONS AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

The Authority has budgeted \$709,601 for spending in the 2023 fiscal year which consists of \$406,760 for dispatch services, \$70,776 for radio technician services to maintain the Authority's infrastructure. \$70,000 in various capital improvement project and with the remainder for administrative and on-going operational expenses. For revenues the Authority is projecting \$806,455 from telephone surcharge of \$1.80 per line per month for the first one month and \$2.25 per line per month for the remaining eleven months, member contributions and investment interest.

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, 2022

	Governmental Activities
ASSETS	
Cash deposits	\$ 85,650
Investments	21,970
Intergovernmental receivable	60,344
Prepaid expenditures	5,653
Capital assets (net of accumulated depreciation/amortization)	864,142
TOTAL ASSETS	1,037,759
 LIABILITIES	
Accounts payable	73,357
TOTAL LIABILITIES	73,357
 NET POSITION	
Net investment in capital assets	864,142
Unrestricted	100,260
TOTAL NET POSITION	\$ 964,402

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

**ELBERT COUNTY COMMUNICATIONS AUTHORITY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

Functions/Programs	Program Revenues				Total Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Emergency communications	\$ (346,613)	\$ 648,208	\$ 36,209	\$ 320,000	\$ 657,804
Administration	(46,160)	-	-	-	(46,160)
Dispatch services	(378,150)	22,373	-	-	(355,777)
Total governmental-type activities	\$ (770,923)	\$ 670,581	\$ 36,209	\$ 320,000	255,867
General revenue:					
Net investment income					521
Total general revenue					521
Change in net position					256,388
Net Position – beginning					708,014
Net Position – ending					\$ 964,402

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

**ELBERT COUNTY COMMUNICATIONS AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2022**

	General
ASSETS	
Cash deposits	\$ 85,650
Investments	21,970
911 fees receivable	60,344
Prepaid expenditures	5,653
TOTAL ASSETS	\$ 173,617
 LIABILITIES	
Accounts payable	\$ 73,357
TOTAL LIABILITIES	73,357
 FUND BALANCE	
Non spendable:	
Prepaid expenditures	5,653
Unassigned fund balance	94,607
TOTAL FUND BALANCE	100,260
TOTAL LIABILITIES AND FUND BALANCE	\$ 173,617
 Total Fund Balance Governmental Fund	 \$ 100,260
 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.	864,142
Net position of the governmental activities	\$ 964,402

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, 2022**

	General
REVENUES:	
911 fees	\$ 648,208
Per call fees	7,883
Member other charges	14,490
Net investment income	521
Grants	136,209
Contributions	220,000
TOTAL REVENUES	1,027,311
EXPENDITURES:	
Telephone maintenance fees	515
Repairs and maintenance	12,141
Network monitoring	961
Equipment	3,272
County GIS services	10,000
Communications	18,900
Accounting and auditing	16,400
Software maintenance fees	16,328
Mobile data communications	65,350
Legal	21,932
Insurance	4,677
Radio technician services	72,396
Lease of tower and T1	2,450
Dispatch services	168,446
Elbert County E-9-1-1 funds	209,704
Radio grants	80,928
Capital outlay	456,606
Other	3,151
TOTAL EXPENDITURES	1,164,157
NET CHANGE IN FUND BALANCE	(136,846)
FUND BALANCE, BEGINNING OF YEAR	237,106
FUND BALANCE, END OF YEAR	\$ 100,260

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, 2022**

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

Governmental funds changes in fund balance	\$ (136,846)
 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	456,606
Depreciation/amortization	(63,372)
Governmental activities change in net position	\$ 256,388

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, 2022

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:				
911 fees	\$ 661,458	\$ 646,625	\$ 648,208	\$ 1,583
Per call fees	7,883	7,883	7,883	-
Member other charges	14,527	14,490	14,490	-
Grants	300,000	336,209	136,209	(200,000)
Contributions	20,000	20,000	220,000	200,000
Net investment income	40	510	521	11
TOTAL REVENUES	<u>1,003,908</u>	<u>1,025,717</u>	<u>1,027,311</u>	<u>1,594</u>
EXPENDITURES:				
Telephone maintenance fees	500	515	515	-
Repairs and maintenance	30,300	16,237	12,141	4,096
Network monitoring	1,200	1,043	961	82
Equipment	10,000	3,472	3,272	200
County GIS services	10,000	10,000	10,000	-
Communications	18,145	18,981	18,900	81
Accounting and auditing	15,600	16,400	16,400	-
Software maintenance fees	16,490	16,329	16,328	1
Mobile data communications	28,750	65,521	65,350	171
Legal	17,000	22,300	21,932	368
Insurance	4,460	4,680	4,677	3
Radio technician services	67,200	72,191	72,396	(205)
Lease of tower and T1	2,400	2,700	2,450	250
Dispatch services	168,446	168,446	168,446	-
Elbert County E-9-1-1	209,704	209,704	209,704	-
Training	12,000	-	-	-
Radio grant	47,680	80,928	80,928	-
Tower inspection	3,500	-	-	-
Capital outlay	409,271	456,606	456,606	-
Other	5,355	3,155	3,151	4
TOTAL EXPENDITURES	<u>1,078,001</u>	<u>1,169,208</u>	<u>1,164,157</u>	<u>5,051</u>
NET CHANGE IN FUND BALANCE	(74,093)	(143,491)	(136,846)	6,645
FUND BALANCE, BEGINNING OF YEAR	<u>233,295</u>	<u>233,295</u>	<u>237,106</u>	<u>3,811</u>
FUND BALANCE, END OF YEAR	<u>\$ 159,202</u>	<u>\$ 89,804</u>	<u>\$ 100,260</u>	<u>\$ 10,456</u>

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

ELBERT COUNTY COMMUNICATIONS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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. On September 9, 2019, the Town of Kiowa was removed from the Authority.

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 \$1.80 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, 2022**

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 buildings, 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 historical cost or acquisition 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

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. The Authority has no authorized but unissued debt as of December 31, 2022.

ELBERT COUNTY COMMUNICATIONS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Fund Balances – Governmental Fund

Fund balance for governmental funds may be 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. 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.

For the year ending December 31, 2022, the Authority amended it's budget.

**ELBERT COUNTY COMMUNICATIONS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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, 2022, 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, 2022 is detailed below:

	Bank Balance	Carrying Balance
Insured Deposit	\$ 90,018	\$85,650

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.
- 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.

ELBERT COUNTY COMMUNICATIONS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022, 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 three portfolios, COLOTRUST PRIME, COLOTRUST PLUS+ and COLOTRUST EDGE. COLOTRUST PRIME and COLOTRUST PLUS+ 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. COLOTRUST EDGE invests in high-quality long-duration securities. COLOTRUST PRIME and COLOTRUST PLUS+ portfolios are rated AAAM by Standard & Poor’s. COLOTRUST EDGE portfolio is rated AAAf/S1 by Fitch Ratings.

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 for the COLOTRUST PRIME and COLOTRUST PLUS+ portfolios and a NAV of \$10.00 per share for the COLOTRUST EDGE portfolio, 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 or \$10.00 per share.

The valuation of the Authority’s investments are as follows at December 31, 2022:

Investments measured at NAV	
COLOTRUST PLUS+	\$ 21,970
Total investments at NAV	<u>\$ 21,970</u>

ELBERT COUNTY COMMUNICATIONS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

B. CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2022 follows:

	Balance at December 31, 2021	Additions	Deletions	Balance at December 31, 2022
Capital assets, not being depreciated				
Equipment	\$ 6,110	\$ -	6,110	\$ -
Total assets not depreciated	<u>6,110</u>	<u>-</u>	<u>6,110</u>	<u>-</u>
Capital assets, being depreciated/amortized				
Software	244,600	-	-	244,600
Building and structures	278,138	32,100	-	310,238
Equipment	430,676	430,616	-	861,292
Total capital assets being depreciated/amortized	<u>953,414</u>	<u>462,716</u>	<u>-</u>	<u>1,416,130</u>
Less depreciation/amortization				
Software	(244,600)	-	-	(244,600)
Building and structures	(40,947)	(9,539)	-	(50,486)
Equipment	(203,069)	(53,833)	-	(256,902)
Total accumulated depreciation/amortization	<u>(488,616)</u>	<u>(63,372)</u>	<u>-</u>	<u>(551,988)</u>
Total capital assets being depreciated/amortized, net	<u>464,798</u>	<u>399,344</u>	<u>-</u>	<u>864,142</u>
Capital assets, net	<u>\$ 470,908</u>	<u>\$ 399,344</u>	<u>\$ (6,110)</u>	<u>\$ 864,142</u>

The Authority charged depreciation and amortization of \$63,372 to the Emergency Communications function/program for the year ending 2022.

C. FUND EQUITY

At December 31, 2022, 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 \$5,653, is comprised of prepaid amounts which are not in spendable form.

D. 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, 2022, the net investment in capital assets was \$864,142.

ELBERT COUNTY COMMUNICATIONS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 2022. 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.

B. Dispatch Services Contract

On February 12, 2019, (as amended on December 17, 2019, November 10, 2020 and January 11, 2022) the Authority entered into an intergovernmental agreement (Agreement) with Douglas County to provide emergency response communications and dispatch services to all but one of the member agencies of the Authority for a term of four years beginning January 1, 2019 through December 31, 2022. The base contract price will be adjusted on an annual basis based on the actual number of calls and actual traffic stops resulting in a ticket being issued between July 1st and June 30th of the prior year multiplied by an agreed upon per call rate. 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 with the Authority remitting to the agency a portion of the collected 9-1-1 surcharges on a quarterly basis.

The base contract price increased for January 1, 2022 through December 31, 2022 to \$100,248 for 9-1-1 calls at the per call rate of \$40.57 and increased the base traffic stop to \$68,198 at the call rate of \$40.57. The Authority paid a total of \$168,446 in 2022 for the contracted services and \$209,704 to the excluded agency for a total of \$378,150.

On December 15, 2022, the Authority entered into a new intergovernmental agreement (New Agreement) with Douglas County to provide emergency response communications and dispatch services to all of the agencies of the Authority for a term of three years beginning January 1, 2023 through December 31, 2025. The New Agreement is based upon the cost equivalent of four mid-point dispatcher full-time equivalent hours including benefits with the contract price adjusted on an annual basis. The base contract for 2023 is \$406,760 and is due in four quarterly payments with one fourth of the base contract due on April 30th, July 31st, October 31st and January 31st of the next year.

ELBERT COUNTY COMMUNICATIONS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

C. Radio Technician Services

The Authority on July 10, 2018, (as amended on March 7, 2019, December 20, 2019, February 3, 2021, January 19, 2022 and December 20, 2022) entered into an intergovernmental agreement with Douglas County to provide technical radio services for the Authority's equipment and facilities for a term of six months beginning June 1, 2018 through December 31, 2018 renewable for an additional one-year term. The agreement calls for a position to be created within the technical radio service department of Douglas County that will be assigned to handle the Authority's communication equipment and facilities. The position's time will be equally divided between the Authority and another entity that have the same needs as the Authority. The Authority will be invoiced on a quarterly basis for one-half the cost of the position plus one-half of start-up costs for the position.

The radio technician services for the year beginning January 1, 2022 through December 31, 2022 increased to an estimated cost of \$67,179 that will be billed quarterly. The Authority paid a total of \$72,396 in 2022.

The radio technician services for the year beginning January 1, 2023 through December 31, 2023 increased to an estimated cost of \$70,776 that will be billed quarterly.

D. Silo Reliability Improvement Project

On December 8, 2020 the Authority entered into a Memorandum of Understanding ("MOU") with Elbert County regarding the Silo Reliability Improvement Project. The County utilized CARES Act funds to purchase and install equipment at the Silo Tower to improve reliability. The MOU leases the equipment to the Authority for five years at \$1.00 per year after which time the equipment will be conveyed at no additional cost to the Authority. The Authority assumes all responsibility for the maintenance and insurance coverage during the lease period.

E. 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. Under TABOR, local governments are defined as "*Districts*."

The Amendment is complex and has been subject to judicial interpretation. Colorado appellate courts have undertaken the burden of interpreting TABOR, so as to give it the effect intended by the voters who approved it as an amendment to the Colorado Constitution. In doing so, the applicability of TABOR to certain kinds of entities which do not logically fall within the historic definition of "*local governments*," (Districts) has been considered by these appellate courts.

The Authority's management, based upon an opinion issued by its legal counsel (relying upon applicable Colorado appellate court decisions), believes that the Authority does not qualify as either a "*local government*" or "*District*" under TABOR and, therefore, the Authority is not subject to the provisions of TABOR relating to revenue raising, spending abilities, and other specific requirements thereof.

F. Coronavirus Pandemic

In December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") originated in Wuhan, China and has since spread world-wide, including the United States. In March 2020, the World Health Organization characterized COVID-19 as a pandemic.

ELBERT COUNTY COMMUNICATIONS AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

COVID-19 has adversely affected the economics and financial markets of the United States, including Colorado, resulting in a world-wide economic downturn, operation closures, and social restrictions that impacted the operations of the Authority. On May 11, 2023, the United States Federal Government officially terminated the Public Health Emergency Declaration for COVID-19.

The Authority continues to monitor and assess the effects of the COVID-19 pandemic on the Authority; however, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

The Federal Government effective May 11, 2023 ended the Public Health Emergency as it related to COVID-19.

This information is an integral part of the accompanying financial statements.