

Gunnison/Hinsdale Combined Emergency Telephone Service Authority



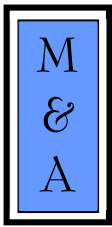
Financial Report

December 31, 2022

**Gunnison/Hinsdale Combined Emergency Telephone Service Authority
Financial Report
December 31, 2022**

Table of Contents

	Page
INDEPENDENT AUDITOR'S REPORT	A1 – A2
Management's Discussion and Analysis	B1 – B4
Basic Financial Statements:	
Balance Sheet/Statement of Net Position	C1
Statement of Revenues, Expenditures and Changes in Fund Balance/Statement of Activities	C2
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	C3
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Telephone Surcharge Special Revenue Fund	C4
Notes to the Financial Statements	D1 – D11



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of Gunnison/Hinsdale Combined Emergency Telephone Services (the "Authority"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of Gunnison/Hinsdale Combined Emergency Telephone Services, as of December 31, 2022, and the respective changes in financial position and general fund and telephone surcharge special revenue fund budgetary comparisons thereof 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.

Responsibilities of Management for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of the 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 one year after the date that the financial statements are issued.

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INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Gunnison/Hinsdale Combined Emergency Telephone Services

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

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
Avon, Colorado
July 31, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Gunnison/Hinsdale Combined Emergency Telephone Service Authority

Management's Discussion and Analysis December 31, 2022

As management of the Gunnison/Hinsdale Combined Emergency Telephone Service Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative summary of the financial activities of the Authority for the fiscal year ended December 31, 2022.

Overview of the Financial Statements

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

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

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

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

The Authority's financial statements can be found on pages C1 through C2 of this report.

The Authority adopts an annual appropriated budget for the General Fund and the Telephone Surcharge fund. Budgetary comparison statements have been provided for both funds to demonstrate compliance with this budget. They can be found on pages C3 and C4.

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

Financial Analysis of the Authority

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

Between December 31, 2021 and 2022, total assets of the Authority increased by \$1,028,401 mainly due to the increase in dispatch service revenue and the additions in capital assets. Capital assets of the Authority increased by \$826,602 during 2022 as capital asset additions exceeded depreciation expense.

Between December 31, 2021 and 2022, total liabilities of the Authority increased by \$739,193. This change in liabilities is related to the financing purchase and the lease payable executed in 2022.

Approximately 34% of the Authority's net position reflects its investment in capital assets, which include improvements and equipment. The Authority uses its capital assets to provide emergency services to its citizens; therefore, these assets are not available for future spending. Of the remaining \$561,255 of net position, \$471,673 has been restricted for emergencies and communication services. The remaining balance of \$89,582 may be used to meet the Authority's ongoing obligations relating to its operations.

	<u>12/31/22</u>	<u>12/31/21</u>
Assets:		
Current assets	\$ 850,314	\$ 648,515
Capital assets	834,212	7,610
Total Assets	<u>1,684,526</u>	<u>656,125</u>
Liabilities:		
Current liabilities	289,059	94,382
Non-Current liabilities	544,516	-
Total Liabilities	<u>833,575</u>	<u>94,382</u>
Net Position:		
Investment in capital assets	289,696	7,610
Restricted	471,673	390,067
Unrestricted	89,582	164,066
Total Net Position	<u>\$ 850,951</u>	<u>\$ 561,743</u>

Financial Analysis of the Authority (continued)

The Authority's net position increased \$289,208 from the prior year. This change is summarized below:

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

	<u>2022</u>	<u>2021</u>
Revenues:		
Telephone surcharge	\$ 436,081	\$ 450,611
Dispatch services	1,000,087	833,933
Grants	155,939	87,864
Other revenue	11,279	11,620
Earnings on investments	91	63
Total Revenues	<u>1,603,477</u>	<u>1,384,091</u>
Expenses:		
Other purchased services	20,306	20,506
Personnel expenses	977,288	972,945
Telephone service	69,800	57,517
Repair and maintenance	47,415	69,767
Utilities	11,478	11,962
Professional services	62,142	82,114
Insurance	3,151	3,176
Rental services	6,635	6,215
Office and operating supplies	26,858	25,659
Travel, meals and lodging	8,944	6,291
Equipment	3,349	2,845
Interest	21,453	-
Depreciation/amortization	55,450	2,536
Total Expenses	<u>1,314,269</u>	<u>1,261,533</u>
Change in Net Position	289,208	122,558
Net Position:		
Beginning of the Year	561,743	439,185
End of the Year	<u>\$ 850,951</u>	<u>561,743</u>

In 2022, revenues increased \$219,386 from 2021 levels primarily due to an increase of \$166,154 in dispatch services and \$68,075 in grants.

Dispatch services were the most significant source of income.

In 2022, expenses increased from 2021 levels due to the addition of a financed purchase, which increased interest expense. Increased depreciation and amortization expense also occurred due to the addition of capital assets.

Expenses in 2022 totaled \$1,314,269. The Authority's costs are approved by the Board. Administration of the Authority is also the responsibility of the Board and its officers. The largest expense during the year was for other personnel expenses of \$977,288. The other significant expenses incurred for 2022 were professional services, telephone service and depreciation.

Financial Analysis of the Authority (continued)

Budget Variances in the General Fund:

The Authority's revenues were \$159,209 less than budget and expenditures were \$41,945 under budget during fiscal year 2022.

Significant budget variances in the General Fund were as follows:

	Final Budget	Actual	Final Budget Variance Positive (Negative)	Reason
Revenues :				
Grants	\$ 246,417	86,499	(159,918)	Radio project didn't progress as quickly as anticipated, so the DOLA grant wasn't fully drawn upon.
Total Revenues	<u>1,257,132</u>	<u>1,097,923</u>	<u>(159,209)</u>	
Expenditures:				
Personnel expenses	740,452	693,572	46,880	Staffing vacancies.
Principal payment	96,266	55,794	40,472	Radio project didn't progress as quickly as anticipated, so the lease payments covered only a partial year.
Capital outlay	824,208	856,813	(32,605)	The amended budget will be \$923,542 for the total radio replacement project, but the whole expense, even the portion of assets placed into service in 2023 had to be expensed in 2022 due to the use of a lease to fund the purchase.
Total Expenditures	<u>1,777,385</u>	<u>1,735,440</u>	<u>41,945</u>	

Capital Assets

The Authority's capital assets increased \$826,602 in 2022, as previously discussed. The additions to capital assets in 2022 of \$882,052 were offset by depreciation and amortization expense of \$55,450. Additional information as well as a detailed classification of the Authority's net capital assets can be found in the Notes to the Financial Statements on page D8 of this report.

Next Year's Budget

The Authority's General Fund balance at the end of the 2022 fiscal year totaled \$188,923. The Authority's 2023 budget anticipates revenues of approximately \$1,090,988 and expenditures of approximately \$1,065,988.

Request for Information

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

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

BASIC FINANCIAL STATEMENTS

Gunnison/Hinsdale Combined Emergency Telephone Service Authority
Balance Sheet/Statement of Net Position
December 31, 2022

	<u>General Fund</u>	<u>Special Revenue Telephone Surcharge Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets:				
Cash and cash equivalents	322,247	370,271	-	692,518
Accounts receivable	88,254	60,118	-	148,372
Prepaid items	3,202	6,222	-	9,424
Capital assets, net	-	-	834,212	834,212
Total Assets	<u>413,703</u>	<u>436,611</u>	<u>834,212</u>	<u>1,684,526</u>
Liabilities:				
Accounts payable	210,174	1,139	-	211,313
Accrued wages	14,608	5,681	57,457	77,746
Lease payable	-	-	22,519	22,519
Financed purchase	-	-	521,997	521,997
Total Liabilities	<u>224,782</u>	<u>6,820</u>	<u>601,973</u>	<u>833,575</u>
Fund Balance/Net Position:				
Non-spendable:				
Prepaid items	3,202	6,222	(9,424)	-
Spendable:				
Restricted for emergencies	48,104	-	(48,104)	-
Restricted for communications	-	423,569	(423,569)	-
Unassigned	137,615	-	(137,615)	-
Total Fund Balance	<u>188,921</u>	<u>429,791</u>	<u>(618,712)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>413,703</u>	<u>436,611</u>		
Net Position:				
Investment in capital assets			289,696	289,696
Restricted for emergencies			48,104	48,104
Restricted for communications			423,569	423,569
Unrestricted			89,582	89,582
Total Net Position			<u>850,951</u>	<u>850,951</u>

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

Gunnison/Hinsdale Combined Emergency Telephone Service Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
Statement of Activities
For the Year Ended December 31, 2022

	General Fund	Special Revenue Telephone Surcharge Fund	Adjustments	Statement of Activities
Revenues:				
Telephone surcharge	-	436,081	-	436,081
Dispatch services	1,000,087	-	-	1,000,087
Grants	86,499	69,440	-	155,939
Other revenue	11,279	-	-	11,279
Earnings on investments	58	33	-	91
Total Revenues	<u>1,097,923</u>	<u>505,554</u>	<u>-</u>	<u>1,603,477</u>
Expenditures/Expenses:				
Other purchased services	-	20,306	-	20,306
Personnel expenses	693,572	269,318	14,398	977,288
Telephone service	4,590	65,210	-	69,800
Repair and maintenance	1,888	45,527	-	47,415
Utilities	-	11,478	-	11,478
Professional services	59,642	2,500	-	62,142
Insurance	3,151	-	-	3,151
Rental services	-	6,635	-	6,635
Office and operating supplies	26,725	133	-	26,858
Travel, meals and lodging	8,944	-	-	8,944
Equipment	3,349	-	-	3,349
Principal payment	55,794	2,719	(58,513)	-
Interest	20,972	481	-	21,453
Depreciation/amortization	-	-	55,450	55,450
Capital outlay	856,813	25,238	(882,051)	-
Total Expenditures/Expenses	<u>1,735,440</u>	<u>449,545</u>	<u>(870,716)</u>	<u>1,314,269</u>
Excess (Deficiency) of Revenues over Expenditures	(637,517)	56,009	870,716	289,208
Other Financing Sources:				
Lease proceeds	-	25,238	(25,238)	-
Financing purchase proceeds	577,791	-	(577,791)	-
Total Other Financing Sources (Uses)	<u>577,791</u>	<u>25,238</u>	<u>(603,029)</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures	(59,726)	81,247	267,687	-
Change in Net Position				289,208
Fund Balance / Net Position:				
Beginning of the year	<u>248,649</u>	<u>348,544</u>		<u>561,743</u>
End of the year	<u>188,923</u>	<u>429,791</u>		<u>850,951</u>

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

Gunnison/Hinsdale Combined Emergency Telephone Service Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended December 31, 2022
(With Comparative Actual Amounts For the Year Ended 2021)

	2022			Final Budget Variance Positive (Negative)	2021
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Dispatch services	1,000,085	1,000,085	1,000,087	2	833,933
Grants	-	246,417	86,499	(159,918)	-
Other revenue	10,580	10,580	11,279	699	11,620
Earnings on investments	50	50	58	8	47
Total Revenues	<u>1,010,715</u>	<u>1,257,132</u>	<u>1,097,923</u>	<u>(159,209)</u>	<u>845,600</u>
Expenditures:					
Personnel expenses	731,936	740,452	693,572	46,880	670,195
Telephone service	4,780	4,780	4,590	190	5,006
Repair and maintenance	4,000	4,000	1,888	2,112	1,576
Professional services	57,900	57,900	59,642	(1,742)	65,764
Insurance	4,000	4,000	3,151	849	3,176
Office and operating supplies	30,373	30,373	26,725	3,648	25,294
Travel, meals and lodging	10,106	10,106	8,944	1,162	6,291
Equipment	5,300	5,300	3,349	1,951	2,845
Principal payment	137,321	96,266	55,794	40,472	-
Interest	-	-	20,972	(20,972)	-
Capital outlay	-	824,208	856,813	(32,605)	-
Total Expenditures	<u>985,716</u>	<u>1,777,385</u>	<u>1,735,440</u>	<u>41,945</u>	<u>780,147</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>24,999</u>	<u>(520,253)</u>	<u>(637,517)</u>	<u>(117,264)</u>	<u>65,453</u>
Other Financing Sources (Uses):					
Financing purchase proceeds	-	577,791	577,791	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>577,791</u>	<u>577,791</u>	<u>-</u>	<u>-</u>
Change in Fund Balance:	<u>24,999</u>	<u>57,538</u>	<u>(59,726)</u>	<u>(117,264)</u>	<u>65,453</u>
Fund Balance - Beginning of Year			<u>248,649</u>		<u>183,196</u>
Fund Balance - End of Year			<u>188,923</u>		<u>248,649</u>

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

Gunnison/Hinsdale Combined Emergency Telephone Service Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Telephone Surcharge Special Revenue Fund
For the Year Ended December 31, 2022
(With Comparative Actual Amounts For the Year Ended 2021)

	2022			Final Budget Variance Positive Negative	2021
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Telephone surcharge	391,334	391,334	436,081	44,747	450,611
Grants	69,823	69,823	69,440	(383)	87,864
Earnings on investments	50	50	33	(17)	16
Total Revenues	<u>461,207</u>	<u>461,207</u>	<u>505,554</u>	<u>44,347</u>	<u>538,491</u>
Expenditures:					
Personnel expenses	284,642	287,954	269,318	18,636	259,690
Other purchased services	21,490	21,490	20,306	1,184	20,506
Telephone service	73,707	73,707	65,210	8,497	52,511
Repair and maintenance	47,147	47,147	45,527	1,620	68,191
Utilities	11,366	11,366	11,478	(112)	11,962
Professional services	5,000	5,000	2,500	2,500	16,350
Rental services	8,362	21,762	6,635	15,127	6,215
Office and operating supplies	500	500	133	367	365
Principal payment	-	-	2,719	(2,719)	-
Interest	-	-	481	(481)	-
Capital outlay	-	-	25,238	(25,238)	-
Total Expenditures	<u>452,214</u>	<u>468,926</u>	<u>449,545</u>	<u>19,381</u>	<u>435,790</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>8,993</u>	<u>(7,719)</u>	56,009	<u>63,728</u>	102,701
Other Financing Sources (Uses):					
Lease proceeds	-	-	25,238	25,238	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>25,238</u>	<u>25,238</u>	<u>-</u>
Change in Fund Balance:	<u>8,993</u>	<u>(7,719)</u>	81,247	<u>88,966</u>	102,701
Fund Balance - Beginning of Year			<u>348,544</u>		<u>245,843</u>
Fund Balance - End of Year			<u>429,791</u>		<u>348,544</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Gunnison/Hinsdale Combined Emergency Telephone Service Authority
Notes to the Financial Statements
December 31, 2022

I. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

B. Government-wide and Fund Financial Statements

1. Government-wide Financial Statements

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

Gunnison/Hinsdale Combined Emergency Telephone Service Authority
Notes to the Financial Statements
December 31, 2022
(continued)

I. Summary of Significant Accounting Policies (continued)

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

1. Government-wide Financial Statements (continued)

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

2. Fund Financial Statements

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

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

The Authority reports two funds:

The General Fund, which accounts for the general purposes of the Authority

The Telephone Surcharge Fund, which is used to account for the restricted use of the telephone surcharges according to Statute.

C. Measurement Focus and Basis of Accounting

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements.

1. Long-term Economic Focus and Accrual Basis

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

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (i.e., 60 days). Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

Gunnison/Hinsdale Combined Emergency Telephone Service Authority
Notes to the Financial Statements
December 31, 2022
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts

1. Cash and Cash Equivalents

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

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

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

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

2. Receivables

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

3. Capital Assets

Capital assets, which include improvements and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at cost (except for intangible right-to-use lease assets, the measurement of which is discussed in Note I.D.5 below).

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

4. Accrued Liabilities and Long-term Obligations

All long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of these funds.

Gunnison/Hinsdale Combined Emergency Telephone Service Authority
Notes to the Financial Statements
December 31, 2022
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

5. Leases

Lessee – The Authority is lessee for noncancellable leases of land. The Authority recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The Authority recognizes lease liabilities with an initial, individual value of \$5,000 or more for leases.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Authority determines the following:

Discount Rate: The Authority uses the interest rate charged by the lessor as the discount rate to discount the expected lease payments to present value. When the interest rate charged by the lessor is not provided, the Authority generally uses the incremental borrowing rate as the discount rate.

Lease Term: The lease term includes the noncancellable period of the lease and extended term(s) that the Authority is reasonably certain to exercise.

Lease Payments: Lease payments included in the measurement of the lease liability are composed of fixed increasing payments.

The Authority monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

6. Categories and Classification of Fund Balance

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

Gunnison/Hinsdale Combined Emergency Telephone Service Authority
Notes to the Financial Statements
December 31, 2022
(continued)

7. Use of Estimates

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

II. Reconciliation of Government-wide and Fund Financial Statements

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

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. \$834,212 represents the net book value of capital assets at December 31, 2022.

Long-term liabilities, including compensated absences, financed purchase and lease payable, are not due and payable in the current period and, therefore, are not reported in the funds. These amounts are not currently payable:

Compensated absences: \$57,457
Financed purchase: \$521,997
Lease payable: \$22,519

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

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

Governmental funds report capital outlays as expenditures when incurred. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The adjustment of \$55,450 is depreciation and amortization expense related to capital assets and the \$882,051 is capital outlay.

Long-term liabilities, including compensated absences, financed purchase and lease payable, are not due and payable in the current period and therefore are not reported in the funds. \$14,398 is the change in the amount of compensated absences and \$58,513 is the principal paid on the financed purchase and lease payable.

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position.

Issuance of financed purchase: \$577,791
Lease proceeds: \$25,238

Gunnison/Hinsdale Combined Emergency Telephone Service Authority
Notes to the Financial Statements
December 31, 2022
(continued)

III. Stewardship, Compliance, and Accountability

A. Budgets and Budgetary Accounting

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

- (1) On or before October 15, 2021, the Authority submitted to the Board a recommended budget that detailed the revenues necessary to meet the Authority's operating requirements.
- (2) After appropriate public notice and a required public hearing, the Board adopted the proposed budget and an appropriating resolution that legally appropriated expenditures for the upcoming year on or before December 15, 2021.
- (3) After adoption of the initial budget resolution, the Authority may make the following changes: (a) it may approve supplemental appropriations to the extent of revenues in excess of the estimated in the budget; (b) it may approve emergency appropriations; and (c) it may reduce appropriations for which originally estimated revenues are insufficient.

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increases, a mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, and salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year revenue. As required by TABOR, the Authority has reserved \$48,104 of its fund balance in the General Fund for emergencies, which is the approximate required reserve at December 31, 2022.

The Authority's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

Gunnison/Hinsdale Combined Emergency Telephone Service Authority
Notes to the Financial Statements
December 31, 2022
(continued)

IV. Detailed Notes on All Funds

A. Deposits and Investments

The Authority's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the Authority's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. The carrying amount of the Authority's demand deposits was \$692,518 at year end.

At December 31, 2022, the Authority did not have any investments.

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

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

At December 31, 2022, the Authority had the following investments and maturities:

	Carrying Amounts	Maturities	
		Less than one year	One to five years
<i>Cash and cash equivalents:</i>			
Checking	\$ 9,457	\$ 9,457	\$ -
Money market	683,061	683,061	-
<i>Total cash and cash equivalents</i>	692,518	692,518	-
 Total cash and investments	 \$ 692,518	 \$ 692,518	 \$ -

B. Receivables

At December 31, 2022, the Authority had receivables of \$148,373.

Gunnison/Hinsdale Combined Emergency Telephone Service Authority
Notes to the Financial Statements
December 31, 2022
(continued)

IV. Detailed Notes on All Funds (continued)

C. Capital Assets

Capital asset activity for the year ended December 31, 2022, was as follows:

	<u>1/1/22</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/22</u>
Capital assets, not being depreciated:				
Construction in progress	\$ -	201,216	-	201,216
Total	<u>-</u>	<u>201,216</u>	<u>-</u>	<u>201,216</u>
Capital assets, being depreciated/amortized:				
Machinery and equipment	\$ 705,323	655,598	-	1,360,921
Leased asset	-	25,238	-	25,238
Total	<u>705,323</u>	<u>680,836</u>	<u>-</u>	<u>1,386,159</u>
Less accumulated depreciation/amortization for:				
Machinery and equipment	697,713	52,085	-	749,798
Leased asset	-	3,365	-	3,365
	<u>697,713</u>	<u>55,450</u>	<u>-</u>	<u>753,163</u>
Total capital assets, net	<u>\$ 7,610</u>	<u>826,602</u>	<u>-</u>	<u>834,212</u>

D. Lease Payable

On May 1, 2022, the Authority entered into a lease agreement with Aero Marketing and Logistics LLC for the use of a portion of land along with use of access and utility easements. The lease has an initial term of three years with 2 renewal periods of one year each. An initial lease liability was recorded in the amount of \$25,238. As of December 31, 2022, the value of the lease liability was \$22,519. The Authority is required to make monthly payments of \$400 for the first three years, then \$540 for the last two years. The lease has an interest rate of 3.00%. The value of the right to use asset as of December 31, 2022 was \$25,238 with accumulated amortization of \$3,365.

The future principal and interest lease payments as of December 31, 2022, were as follows:

	<u>Principal</u>	<u>Interest</u>
2023	\$ 4,182	\$ 618
2024	4,309	491
2025	5,570	350
2026	6,313	167
2027	2,145	13
	<u>\$ 22,519</u>	<u>\$ 1,639</u>

Gunnison/Hinsdale Combined Emergency Telephone Service Authority
Notes to the Financial Statements
December 31, 2022
(continued)

IV. Detailed Notes on All Funds (continued)

E. Financed Purchase

During 2022, the Authority entered into a financed purchase agreement with Community First National Bank for the amount of \$577,791. The funds were used to purchase radio consoles, dispatch furniture and phone system. The interest rate is 3.35% annually and the payments are due quarterly beginning on June 1, 2022 and ending on March 1, 2029. The principal outstanding at December 31, 2022 was \$521,997.

The following payments are required:

	Principal	Interest	
2023	\$ 76,954	\$ 15,165	
2024	79,347	12,772	
2025	81,815	10,304	
2026	84,359	7,760	
2027	86,982	5,137	
2028 - 2029	112,541	2,608	
	\$ 521,997	\$ 53,746	

F. Changes in Debt

The Authority had the following changes in debt for the year ended December 31, 2022:

	1/1/22	Additions	Reductions	12/31/22
Financed purchase	\$ -	\$ 577,791	\$ (55,794)	\$ 521,997
Lease payable	-	25,238	(2,719)	22,519
	\$ -	\$ 603,029	\$ (58,513)	\$ 544,516

G. Fund Balances and Net position

The Authority classifies governmental fund balances as follows:

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

Spendable Fund Balance:

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

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

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

Gunnison/Hinsdale Combined Emergency Telephone Service Authority
Notes to the Financial Statements
December 31, 2022
(continued)

IV. Detailed Notes on All Funds (continued)

G. Fund Balances and Net position (continued)

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

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

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

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

V. Other Information

A. Legal Claims

During the normal course of business, the Authority incurs claims and other assertions against it from various agencies and individuals. Management of the Authority feels none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of the financial statements at December 31, 2022.

B. Risk Management

The Authority is exposed to various risks of loss related to workers' compensation and general liability. The Authority has acquired commercial coverage for these risks and any settled claims are not expected to exceed the commercial insurance coverage. The Authority is also exposed to the risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions. To address such risks, the Authority is a participant in a public entity risk pool administered by Colorado Intergovernmental Risk Sharing Agency ("CIRSA").

Gunnison/Hinsdale Combined Emergency Telephone Service Authority
Notes to the Financial Statements
December 31, 2022
(continued)

V. Other Information (continued)

B. Risk Management (continued)

CIRSA's operations are funded by contributions from member governments. Coverage is provided in the amount of \$250,000 per claim or occurrence for property, \$1,000,000 per claim or occurrence for liability, and \$150,000 per claim or occurrence for crime. CIRSA has also acquired additional excess coverage from outside sources. While the Authority may be liable for any losses in excess of this coverage, the Authority does not anticipate such losses at December 31, 2022. Surpluses or deficits realized by CIRSA for any given year are subject to change for such reasons as interest earnings on invested amounts for those years and funds, re-estimation of losses for those years and funds, and credits or distributions from surplus for those years and funds.

The Authority's share of CIRSA's fund equity as of December 31, 2022, is:

Property and Casualty Pool:	Equity Ratio
Loss Fund	0.7100%
Operating Fund	0.0700%
Excess Fund	0.0001%
Reserve Fund	0.0058%

CIRSA's combined financial information for the year ended December 31, 2022, is:

Assets:	
Cash and investments	\$ 84,448,127
Other assets	12,479,376
Total Assets	<u>\$ 96,927,503</u>
Total liabilities	<u>\$ 52,728,701</u>
Net position	<u>\$ 44,198,802</u>
Total Revenues	\$ 32,686,577
Total Expenses	(43,548,592)
Distributions and credits to members	<u>(1,058,313)</u>
Change in Net Position	<u>\$ (11,920,328)</u>

C. Adoption of New Accounting Standard – GASB Statement No. 87, Leases

The Authority implemented Government Accounting Standards Board Statement No. 87, Leases during 2022. The statement requires recognition of certain leased assets, liabilities and receivables for leases that previously were classified as operating leases and recognized as outflows of resources or inflows of resources based on the payment provisions of the contract. This statement implementation did not result in prior period restatement of fund balances.