

COMBINED REGIONAL COMMUNICATIONS AUTHORITY

BASIC FINANCIAL STATEMENTS

December 31, 2023

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JOHN CUTLER & ASSOCIATES

Board of Directors
Combined Regional Communications Authority
Canon City, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund, of the Combined Regional Communications Authority (the "Authority") as of and for the year ended December 31, 2023, 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, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Combined Regional Communications Authority as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows, 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 Combined Regional Communications Authority and to meet our 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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the 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 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 of 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 of 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 judgement, 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

Management has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Combined Regional Communications Authority' basic financial statements. The individual fund financial statement listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statement is fairly stated in all material respects in relation to the financial statements as a whole.

John Cutler & Associates, LLC

July 29, 2024

BASIC FINANCIAL STATEMENTS

COMBINED REGIONAL COMMUNICATIONS AUTHORITY

STATEMENT OF NET POSITION
 PROPRIETARY FUND
 December, 31 2023

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 445,955
Prepaid Expenses	1,150
Total Current Assets	<u>447,105</u>

Noncurrent Assets

Capital Assets, Net of Accumulated Depreciation	108,706
Total Noncurrent Assets	<u>108,706</u>

TOTAL ASSETS

\$ 555,811

LIABILITIES

Current Liabilities

Accounts Payable	\$ 4,107
Accrued Expenses	7,272
Trust Account	45,188
Current Portion of Long-Term Debt	51,019
Total Current Liabilities	<u>107,586</u>

Noncurrent Liabilities

Long-Term Debt	56,047
Total Noncurrent Liabilities	<u>56,047</u>

TOTAL LIABILITIES

163,633

NET POSITION

Invested in Capital Assets	1,640
Unrestricted	390,538
TOTAL NET POSITION	<u>392,178</u>

**TOTAL LIABILITIES, DEFERRED INFLOWS
 OF RESOURCES, AND NET POSITION**

\$ 555,811

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

COMBINED REGIONAL COMMUNICATIONS AUTHORITY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended December 31, 2023

OPERATING REVENUE	
Interdistrict charges for operations	\$ 1,721,540
911 Revenue	105,000
Other Revenue	<u>100</u>
TOTAL OPERATING REVENUE	<u>1,826,640</u>
OPERATING EXPENSES	
Salaries	1,330,024
Employee Benefits	154,483
Payroll Taxes	118,034
Equipment Expenses	38,288
Insurance	39,016
Occupancy	12,000
Technology	115,932
Office Expenses	40,870
Travel	28,673
Utilities	19,930
Interest	5,138
Depreciation	<u>82,475</u>
TOTAL OPERATING EXPENSES	<u>1,984,863</u>
OPERATING INCOME (LOSS)	<u>(158,223)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	<u>161</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>161</u>
NET INCOME	(158,062)
NET POSITION, Beginning, restated	<u>550,240</u>
NET POSITION, Ending	<u><u>\$ 392,178</u></u>

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

COMBINED REGIONAL COMMUNICATIONS AUTHORITY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 Year Ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Governments	\$ 1,709,119
Cash Paid for Goods and Services	<u>(1,900,506)</u>

Net Cash Provided (Used) by Operating Activities	<u>(191,387)</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital Lease Payments	<u>(51,018)</u>
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Net Cash Used by Capital and Related Financing Activities	<u>(51,018)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest Received	<u>161</u>
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Net Increase (Decrease) in Cash and Cash Equivalents	<u>(242,244)</u>
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CASH AND CASH EQUIVALENTS, Beginning	<u>688,199</u>
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CASH AND CASH EQUIVALENTS, Ending	<u><u>\$ 445,955</u></u>
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RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income (Loss)	\$ (158,223)
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Net Cash Provided by Operating Activities	<u>82,475</u>
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Depreciation and Amortization	82,475
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Changes in Assets and Liabilities	2,042
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Accounts Payable	2,042
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Accrued Expenses	(160)
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Deferred Revenue	<u>(117,521)</u>
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Total Adjustments	<u>(33,164)</u>
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Net Cash Provided by Operating Activities	<u><u>\$ (191,387)</u></u>
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The accompanying notes are an integral part of the financial statements.

COMBINED REGIONAL COMMUNICATIONS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Combined Regional Communications Authority (the “Authority”) is an entity formed by intergovernmental agreement among the City of Canon City, Fremont County, City of Florence, Fremont County 911 Authority, Canon City Area Fire Protection District, and Custer County. The Authority is operated and accounted for as an enterprise fund and the financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority meets the criteria to be treated as a joint venture. The more significant of the Authority’s policies are described below.

Reporting Entity

The financial reporting entity consists of the Authority and organizations for which the Authority is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Authority. In addition, any legally separate organizations for which the Authority is financially accountable are considered part of the reporting entity. Financial accountability exists if the Authority appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the Authority. Based on the application of these criteria, the Authority does not include additional organizations in its reporting entity.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority uses one fund to report on its financial position and activities. Fund accounting is designed to segregate transactions related to certain government functions and activities. The Authority’s fund is classified as an enterprise fund type. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when 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.

COMBINED REGIONAL COMMUNICATIONS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The Authority reports all activity in one enterprise fund which is a proprietary fund type. This fund is considered a major fund.

Assets, Liabilities and Fund Balance/Net Position

Cash and Cash Equivalents – Cash and cash equivalents include amounts in deposit accounts and short-term investments with an original maturity of three months or less.

Receivables – Receivables consists of amounts owed to the Authority by the owning Facilities. All amounts are considered to be collectible and no allowance for bad debt has been recorded. As of December 31, 2023, the Authority had no accounts receivable balance as of December 31, 2023.

Prepaid Expenses – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the statement of net position.

Capital Assets – The Authority capitalizes all assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Interest is capitalized during the construction phase.

COMBINED REGIONAL COMMUNICATIONS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position (Continued)

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of Net Position in the financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method:

Equipment	5 - 10 years
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Net Position— The business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

- Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.
- Restricted Net Position are liquid assets, which have third party limitations on their use.
- Unrestricted Net Position represents assets that do not have any third-party limitation on their use. While the Authority's management may have categorized and segmented portion for various purposes, the Authority's Board has the unrestricted right to revisit or

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Authority purchases commercial insurance for these risks of loss. Settled claims have not exceeded insurance coverage in the last three years.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

A budget is adopted for the enterprise fund as a management control device but is not legally required. The budgetary information presented in the financial statements was approved by each owning Authority.

COMBINED REGIONAL COMMUNICATIONS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

NOTE 3: CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents reported in the December 31, 2023 financial statements consisted of the following:

Deposits	<u>\$ 445,955</u>
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Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. 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. At December 31, 2023, State regulatory commissioners have indicated that all financial institutions holding deposits for the Authority are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held.

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 Authority has no policy regarding custodial credit risk for deposits.

At December 31, 2023, the Authority had deposits with financial institutions with a carrying amount of \$445,955. The bank balances with the financial institutions were \$445,126. Of these balances, \$250,000 was covered by federal depository insurance and \$195,126 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of December 31, 2023, the Authority has no investments.

COMBINED REGIONAL COMMUNICATIONS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 3: CASH AND CASH EQUIVALENTS (Continued)

Credit Risk

Colorado statutes specify in which instruments units of local government may invest, which include:

- Obligations of the United States and certain U.S. Government Agency securities
- General obligation and revenue bonds of U.S. local government entities
- Local government investment pools
- Certain money market funds
- Guaranteed investment contracts

The Authority did not have any investments requiring categorization of credit risk as of December 31, 2023 and had no policy for managing credit risk.

NOTE 4: CAPITAL ASSETS

Capital Assets activity for the year ended December 31, 2023, is summarized below.

	<u>Balance</u> <u>12/31/22</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/23</u>
Capital Assets, Being Depreciated Equipment	\$ 849,966	\$ -	\$ -	\$ 849,966
Accumulated Depreciation Equipment	658,785	82,475	-	741,260
Net Capital Assets	<u>\$ 191,181</u>	<u>\$ (82,475)</u>	<u>\$ -</u>	<u>\$ 108,706</u>

NOTE 5: LONG TERM DEBT

In December 2014, The Authority has entered into a capital lease agreement to purchase technology equipment which will be paid from revenues of the Enterprise Fund. The lease carries an interest rate of 3.25% and requires annual lease payments of \$56,157 through December 2025.

COMBINED REGIONAL COMMUNICATIONS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 5: *LONG TERM DEBT* (Continued)

Following is a schedule of the future minimum lease payments required under the lease obligations at December 31:

Year Ended December 31,

2024	\$ 56,157
2025	<u>56,157</u>
Total Minimum Lease Payments	112,314
Less: Interest	<u>(5,248)</u>
Present Value of Minimum Lease Payments	<u>\$ 107,066</u>

NOTE 6: *RETIREMENT PLAN*

The Authority participates in a Section 457 Deferred Compensation Plan for its employees. The plan is administered by Lincoln National Life. The Authority matches 5% of the gross salary of all participating employees. During the year ended December 31, 2023 the Authority contributed \$20,287 to the plan.

NOTE 7: *COMMITMENTS AND CONTINGENCIES*

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The Tabor Amendment is subject to many interpretations, but the Authority believes it is exempt from the provisions of the amendment.

NOTE 8: *SUBSEQUENT EVENTS*

Potential subsequent events were considered through July 29, 2024. It was determined that no events were required to be disclosed through this date.

INDIVIDUAL FUND FINANCIAL STATEMENT

COMBINED REGIONAL COMMUNICATIONS AUTHORITY

BUDGETARY COMPARISON SCHEDULE
 PROPRIETARY FUND TYPE
 Year Ended December 31, 2023

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Governmental Revenues	\$ 1,868,886	\$ 1,721,540	\$ (147,346)
911 Revenue	110,000	105,000	(5,000)
Other	52,706	261	(52,445)
TOTAL REVENUES	<u>2,031,592</u>	<u>1,826,801</u>	<u>(204,791)</u>
EXPENDITURES			
Salaries	1,371,039	1,330,024	41,015
Employee Benefits	345,843	154,483	191,360
Payroll Taxes	-	118,034	(118,034)
Equipment Expenses	91,750	38,288	53,462
Insurance	9,000	39,016	(30,016)
Occupancy	12,000	12,000	-
Technology	117,200	115,932	1,268
Office Expenses	22,930	40,870	(17,940)
Travel and Training	800	28,673	(27,873)
Utilities	9,600	19,930	(10,330)
Interest	-	5,138	(5,138)
TOTAL EXPENDITURES	<u>1,980,162</u>	<u>1,902,388</u>	<u>77,774</u>
NET INCOME (LOSS), Budget Basis	<u>\$ 51,430</u>	(75,587)	<u>\$ (127,017)</u>
GAAP BASIS ADJUSTMENTS			
Depreciation		<u>(82,475)</u>	
NET GAIN (LOSS) GAAP Basis		(158,062)	
NET POSITION, Beginning, restated		<u>550,240</u>	
NET POSITION, Ending		<u>\$ 392,178</u>	

See the accompanying independent auditors' report.