



**Gunnison/Hinsdale  
Combined Emergency  
Telephone Service Authority**

Financial Statements and Supplementary  
Information

For the Year Ended December 31, 2013

**GUNNISON/HINSDALE COMBINED EMERGENCY  
TELEPHONE SERVICE AUTHORITY**

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## **INTRODUCTORY SECTION**

**GUNNISON/HINSDALE COMBINED EMERGENCY  
TELEPHONE SERVICE AUTHORITY**

**BOARD MEMBERS**

**Year Ended December 31, 2013**

Voting

Mike Miller – Crested Butte Fire Protection District  
Tom Martin (Alternate Ted Conner) – Crested Butte Marshall's Office  
Dennis Spritzer – Gunnison Fire Protection District  
Keith Robinson – City of Gunnison Police Department  
Randy Barnes (Alternate Rick Bessecker) – Gunnison County Sheriff's Office  
Justin Casey – Hinsdale County  
Nate Stepanek – Mt. Crested Butte Police Department

Non-Voting

Wendy Collins – Secretary/Treasurer (City of Gunnison Finance)  
Rich Leary – Arrowhead Fire Protection District  
Brent Mims – Arrowhead Fire Protection District  
Scott Morrill – Gunnison County Emergency Management  
Hugo Ferchau – Gunnison Fire Protection District  
Chuck Dotts – Gunnison Regional Communications Center  
Laurie Sherman – Gunnison Regional Communications Center  
Erik Forsythe – Gunnison Valley Emergency Medical Services  
Chris Evans – Gunnison Valley Hospital  
Walt Cranor – Gunnison Volunteer Fire Department  
Bill Hagendorf – Lake City Area Fire Protection District  
John Patmore – National Park Service  
Chris Green – Two Way Communications  
Mike McBride – Gunnison County Electric Association

## **FINANCIAL SECTION**



## Independent Auditor's Report

Board of Directors of the Gunnison/Hinsdale  
Combined Emergency Telephone Service Authority  
Gunnison, Colorado

We have audited the accompanying financial statements of the governmental activities and the major fund of the Gunnison/Hinsdale Combined Emergency Telephone Service Authority (the "Authority") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Gunnison/Hinsdale Combined Emergency Telephone Service Authority as of December 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 and the budgetary comparison information for the General Fund on page 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Anton Collins Mitchell LLP*

Greeley, Colorado  
July 18, 2014

**Gunnison/Hinsdale Combined Emergency Telephone Service Authority**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2013**

The Gunnison/Hinsdale Combined Emergency Telephone Service Authority (the "Authority") Management's Discussion and Analysis ("MD&A") is intended to provide the reader and user of our financial statements with: (a) an understanding of the financial status of the Authority; (b) an overview of the Authority's financial activities; (c) an explanation of the changes in the Authority's financial position; (d) an explanatory analysis of the variations of the annual budgets; and (e) an assessment of any future financial or operating issues of the Authority.

This discussion and analysis is intended to focus on the 2013 activities, resulting changes, and currently known facts and conditions. It should be read in conjunction with, and with reference to, the accompanying audited financial statements and related notes to the financial statements beginning on page 6.

**Overview of the Financial Statements of the Authority**

The audited financial statements of the Authority are:

Government-wide Financial Statements:

Statement of Net Assets  
Statement of Activities

Fund Financial Statements:

Balance Sheets - Governmental Fund  
Statement of Revenues, Expenditures, and Changes in  
Fund Balance - Governmental Fund

**Notes to the Financial Statements**

The notes to the financial statements are on page 10 through 17. These provide information about the Authority's financial position as of December 31, 2013, its results of operations for the year ended December 31, 2013. The statements are followed by required supplementary information on Page 18 that further explains and supports the financial statements with a comparison of the Authority's General Fund budget for the year.

The Statement of Net Position, prepared using the full accrual basis of accounting, provides information about what is owned (assets) by the Authority, what is owed (liabilities) by the Authority, and what is the Authority's equity in its assets (net position). Over time, the comparison of changes in net assets may provide a useful method of evaluating whether the financial position of the Authority is improving, deteriorating, or maintaining.

The Statement of Activities provides information about the components - Expenses, Program Revenues, and General Revenues - of the Authority's annual operating activities and how those activities affected net position.

The Balance Sheet - Governmental Fund presents the financial position of the Authority's fund using the traditional government modified accrual method of accounting, which does not reflect capital assets and debt obligations.

The Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund presents the activities of the Authority's funds using the modified accrual method of accounting, which includes expenditures for capital assets and debt service obligation. This method approximates the reporting on a cash basis and closely follows the budgetary method.

**Gunnison/Hinsdale Combined Emergency Telephone Service Authority  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2013**

The two reconciliations, which accompany these governmental fund statements, provide explanations of the specific differences in these statements as compared to the Statement of Net Position and the Statement of Activities.

The Budgetary Comparison Schedule provides information comparing budgeted revenue and expenditure activities with the actual revenue and expenditure activities. When applicable, these schedules will include a comparison of the originally approved budget with the final amended budget.

**Condensed Comparative Financial Information**

Statements of Net Position

<i>As of December 31,</i>	<u>2013</u>	<u>2012</u>
Current assets	\$ 420,659	\$ 603,516
Capital assets, net of accumulated depreciation	23,837	29,418
Current liabilities	<u>142,128</u>	<u>31,364</u>
Net Position	<u>\$ 302,368</u>	<u>\$ 601,570</u>

Statements of Activities

<i>For the Year Ended December 31,</i>	<u>2013</u>	<u>2012</u>
General Revenues:		
Telephone surcharges	\$ 214,636	\$ 216,396
Earnings on investments	<u>1,210</u>	<u>1,742</u>
Total General Revenues	<u>215,846</u>	<u>218,138</u>
Expenses:		
Emergency telephone and dispatch	<u>515,048</u>	<u>186,745</u>
Total Expenses	<u>515,048</u>	<u>186,745</u>
Change in Net Position	<u>\$ (299,202)</u>	<u>\$ 31,393</u>

This forgoing information is a summary of the financial information contained in the Authority's audited financial statements. For more about the information contained in this condensed, comparative financial information, we recommend a close review of the accompanying audited financial statements beginning on page 6.

**Analysis of Financial Position and Operating Results**

For 2013 net position decreased \$299,202 to \$302,368. This was the result of the Authority committing \$329,209 to the new Public Safety Facility built by the City of Gunnison for costs associated with operations of emergency dispatching services, which is now housed in the Public Safety Facility.

Net position at December 31, 2013 and December 31, 2012 of \$6,500 and \$6,600 is restricted for the emergency reserve in compliance with the Taxpayer's Bill of Rights ("TABOR").

**Gunnison/Hinsdale Combined Emergency Telephone Service Authority**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended December 31, 2013**

Cash and Cash Equivalents, along with Temporary Investments at December 31, 2013 were \$183,471 less than the amount at December 31, 2012. These balances at December 31, 2013, represent approximately 93.2% of current assets and 88.2% of total assets of the Authority.

Total liabilities of the Authority at December 31, 2013 were \$142,128, entirely comprised of accounts payable. This represents an increase of \$110,764, or 353.2% as compared to December 31, 2012. This is a result of the timing of payments to vendors, and particularly to the City of Gunnison for expenses associated with the Public Safety Facility.

Revenues of the Authority decreased \$2,292, or 1.1% from 2012 and expenses increased \$328,303, or 175.8%. Revenues continue to decrease with the increased use of cell phones and decreased use of traditional land-line telephones. The increase in expenses was due to reimbursements to the City of Gunnison for costs of relocating emergency dispatching operations to the new Public Safety Facility.

**Budgetary Analysis and Discussion - General Fund**

There were no net revisions to the originally adopted 2013 budget, which included \$218,300 in revenues and \$606,310 in expenses.

**Capital Assets and Long-Term Liabilities**

Capital assets of the Authority consist of telephone equipment and computer equipment necessary for transmitting emergency calls to jurisdictions within Gunnison and Hinsdale Counties. No assets were added or deleted during the year. The assets depreciated \$5,581 in total over the year.

During 2013, the Authority did not have any debt.

**Infrastructure Assets**

The Authority does not have infrastructure assets.

**Economic Factors and Next Year's Budget and Rates**

- The Authority will continue through fiscal year 2014 with telephone surcharges remaining at \$1.00 per line.
- Revenues for fiscal year 2014 are projected at a 3.2% decrease from actual revenues in 2013.
- Operating expenses for fiscal year 2014 are projected at a 61% decrease, due to the reimbursement of expenses in 2013 previously mentioned. The majority of the operating expenses (78%) are attributable to telephone service lines and funding of 20% of the personnel costs related to dispatching services. An additional \$83,791 will be appropriated for expenses budgeted in 2013 for the Public Safety Facility, but not incurred until 2014.
- Capital expenses for fiscal year 2014 will include \$15,000 for the installation of an additional repeater to enhance emergency radio coverage on the east side of Gunnison County.

**Contacting the Authority's Financial Management**

This financial report is designed to provide the Authority's citizens, taxpayers, investors, and creditors with a general overview of the Authority's finances, and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Gunnison/Hinsdale Combined Emergency Telephone Service Authority at P.O. Box 239, Gunnison, Colorado 81230.

## **BASIC FINANCIAL STATEMENTS**

GUNNISON/HINSDALE COMBINED EMERGENCY TELEPHONE SERVICE AUTHORITY

STATEMENT OF NET POSITION

December 31, 2013

	<b>ASSETS</b>	<b>Governmental Activities</b>
Cash and cash equivalents		\$ 191,934
Certificate of deposit		200,000
Accounts receivable		28,725
Capital assets, net of accumulated depreciation		<u>23,837</u>
Total assets		<u>444,496</u>
	<b>LIABILITIES</b>	
Accounts payable		<u>142,128</u>
	<b>NET POSITION</b>	
Net investment in capital assets		23,837
Restricted for emergencies		6,500
Unrestricted		<u>272,031</u>
Total net position		<u><u>\$ 302,368</u></u>

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

**GUNNISON/HINSDALE COMBINED EMERGENCY TELEPHONE SERVICE AUTHORITY**

**STATEMENT OF ACTIVITIES**

**Year Ended December 31, 2013**

<b><u>FUNCTIONS / PROGRAMS</u></b>	<b><u>EXPENSES</u></b>	<b><u>PROGRAM REVENUES OPERATING GRANTS</u></b>	<b><u>NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION GOVERNMENTAL ACTIVITIES</u></b>
Governmental activities			
Emergency telephone and dispatch	<u>\$ 515,048</u>	<u>\$ -</u>	\$ (515,048)
General revenues			
Telephone surcharges			214,636
Earnings on investments			<u>1,210</u>
Total general revenues			<u>215,846</u>
Change in net position			(299,202)
Net position at beginning of year			<u>601,570</u>
Net position at end of year			<u>\$ 302,368</u>

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

**GUNNISON/HINSDALE COMBINED EMERGENCY TELEPHONE SERVICE AUTHORITY**

**BALANCE SHEET - GENERAL FUND**

**December 31, 2013**

ASSETS

Cash and cash equivalents	\$ 191,934
Temporary investments	200,000
Accounts receivable	<u>28,725</u>
 Total assets	 <u><u>\$ 420,659</u></u>

LIABILITIES AND FUND BALANCE

Liabilities	
Accounts payable	<u>\$ 142,128</u>
 Fund balance	
Restricted for emergencies	6,500
Unassigned	<u>272,031</u>
 Total fund balance	 <u>278,531</u>
 Total liabilities and fund balance	 <u><u>\$ 420,659</u></u>

**Reconciliation of the General Fund Balance Sheet with the Government-wide Statement of Net Position**

Total fund balance - General Fund		\$ 278,531
 Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund financial statements:		
Capital assets	\$ 679,957	
Accumulated depreciation	<u>(656,120)</u>	<u>23,837</u>
 Total net position - governmental activities		 <u><u>\$ 302,368</u></u>

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

**GUNNISON/HINSDALE COMBINED EMERGENCY TELEPHONE SERVICE AUTHORITY**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCE - GENERAL FUND**

**Year Ended December 31, 2013**

<u>Revenues</u>	
Telephone surcharges	\$ 214,636
Earnings on investments	<u>1,210</u>
<u>Total revenues</u>	<u>215,846</u>
 <u>Expenditures</u>	
Current:	
Administrative and operating	509,467
Capital outlay	<u>-</u>
<u>Total expenditures</u>	<u>509,467</u>
<u>Deficiency of revenues over expenditures</u>	(293,621)
<u>Fund balance at beginning of year</u>	<u>572,152</u>
<u>Fund balance at end of year</u>	<u><u>\$ 278,531</u></u>

**Reconciliation of the General Fund Statement of Revenues, Expenditures and Change in Fund Balance with the Government-wide Statement of Activities**

Amounts reported for governmental activities in the Statement of Activities are difference because:

Deficiency of revenues over expenditures - General Fund	\$ (293,621)
Capital outlay to purchase or build capital assets are reported in the General Fund as expenditures. However, for governmental activities those costs are shown on the Statement of Net Position and depreciated over their estimated useful lives as annual depreciation expense in the Statement of Activities. This is the amount of depreciation expense recognized during the year.	<u>(5,581)</u>
Change in net position - governmental activities	<u><u>\$ (299,202)</u></u>

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

**GUNNISON/HINSDALE COMBINED EMERGENCY  
TELEPHONE SERVICE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended December 31, 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Gunnison/Hinsdale Combined Emergency Telephone Service Authority (the "Authority") have been prepared in conformity with accounting principles generally accepted in the United States of America ("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 more significant of the Authority's accounting policies are described below.

**History and Function of Organization**

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.

**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.

**Basis of Presentation**

**Government-wide Financial Statements** - The government-wide financial statements (i.e., the Statement of Net Position and Statement of Activities) report information on all of the activities of the Authority. 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 user charges for support. The Authority has no business-type activities.

**GUNNISON/HINSDALE COMBINED EMERGENCY  
TELEPHONE SERVICE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended December 31, 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation** (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Items not properly included among program revenues are reported instead as general revenues.

**Fund Financial Statements** - Fund financial statements report detailed information about the Authority. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The Authority has no nonmajor funds, and only one major fund; the General Fund.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, relating to the timing of the measurements made, regardless of the measurement focus applied. Under 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.

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 grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

**Governmental Fund Types**

Governmental funds are those through which most governmental functions of the Authority are financed. The acquisition, use, and balances of the Authority's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is on determination of changes in financial position, rather than on a computation of net income. Below is the Authority's governmental fund type.

General Fund - This fund accounts for funds received through the imposition of emergency telephone surcharges on telephone customer's monthly bills. All of the Authority's operations are accounted for in this fund.

**GUNNISON/HINSDALE COMBINED EMERGENCY  
TELEPHONE SERVICE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended December 31, 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Budgets and Budgetary Accounting**

Budgets are prepared on the modified accrual basis of accounting. Budgets are adopted based on the requirements of state statutes. The following timetable is used:

- 1) Submission of the proposed budget to the Board of Directors by October 15 of each year;
- 2) Final adoption of the budget and appropriations by December 31 of each year.

The Authority does not utilize encumbrance accounting and all appropriations lapse at year-end.

The total appropriated expenditures, original and final, for the Authority were \$606,310 for the year ended December 31, 2013.

**Accounts Receivable**

The Authority recognizes all telephone surcharges on the modified accrual basis. Therefore, the Authority has recorded a receivable for those surcharges related to 2013 but not received until the first sixty days of 2014.

**Capital Assets**

Expenditures for capital assets are recorded as expenditures in the governmental fund financial statements. Capital asset additions in excess of \$5,000 with useful lives greater than one year are recorded at cost, or at fair market value in the case of donated assets. Depreciation is charged over a period of seven years using the straight-line method for all Authority equipment. The Authority does not have any infrastructure assets.

During 2013, the Authority incurred costs relating to the City of Gunnison's new Public Safety Facility, which will house the emergency telephone services. These costs are reported as capital outlay in the Authority's financial statements, but are reimbursements to the City for costs incurred under the construction of the facility. See additional information at Note 5.

**Net Position/Fund Balance**

In the government-wide financial statements, net position is classified in the following categories:

**Net Investment in Capital Assets**

This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

**Restricted**

This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The Authority has restricted net position for the emergency reserve required by the Taxpayer's Bill of Rights ("TABOR").

**GUNNISON/HINSDALE COMBINED EMERGENCY  
TELEPHONE SERVICE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended December 31, 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Net Position/Fund Balance (Continued)**

Unrestricted

This category represents the net position of the Authority, which is not restricted for any project or other purpose. A deficit will require future funding.

As of December 31, 2013, the fund balance of the General Fund is classified as follows:

Nonspendable

Amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted

Amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, or the laws or regulations of other governments.

Committed

Amounts that can be used only for specific purposes determined by a formal action of the Board of Directors (the "Board"). The Board is the highest level of decision making authority for the Authority. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

Assigned

Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Board has the authority to assign amounts for specific purposes.

Unassigned

All other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the Authority considers restricted resources to have been spent first. When an expenditure is incurred for which committed, assigned, 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 Board has provided otherwise in its commitment or assignment actions.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

**GUNNISON/HINSDALE COMBINED EMERGENCY  
TELEPHONE SERVICE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended December 31, 2013**

**NOTE 2: CASH AND TEMPORARY INVESTMENTS**

At December 31, 2013 cash and investments consisted of the following:

<u>Cash and Equivalents</u>	<u>Book Balance</u>	
Checking	\$ 10,001	
Money market	181,933	
	<u>191,934</u>	
Total cash and cash equivalents:	<u>\$ 191,934</u>	
<u>Temporary Investments</u>	<u>Cost</u>	<u>Fair Market Value</u>
Certificate of deposit	\$ 200,000	\$ 200,000

**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 regulators. Amounts on deposit in excess of federal insurance limits must be collateralized. The eligible collateral is determined by PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Regulatory Commission for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools, and are the co-agents for release of the collateralized assets. All of the Authority's deposits are either federally insured or collateralized.

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposit may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2013, all of the Authority's deposits are either federally insured, or collateralized by PDPA.

**Investment 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. At December 31, 2013, the Authority held no investments in marketable debt or equity securities.

**GUNNISON/HINSDALE COMBINED EMERGENCY  
TELEPHONE SERVICE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended December 31, 2013**

**NOTE 2: CASH AND TEMPORARY INVESTMENTS (Continued)**

**Investment Credit Risk**

The Authority has no investment policy that limits its investment choices other than the limitation of state law as follows:

- 1) Direct obligations of the US government, its agencies, and instrumentalities to which the full faith and credit of the US government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged;
- 2) Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out of state financial institutions;
- 3) With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper, and repurchase agreements with certain limitations;
- 4) County, municipal, or school district tax supported debt obligations; bond or revenue anticipation notes; or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district;
- 5) Notes or bonds secured by a mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and obligations of the National Mortgage Association; and
- 6) Money market funds regulated by the Securities and Exchange Commission ("SEC") in which investments consist of the investments mentioned in 1, 2, 3, and 4 above.

**Concentration of Investment Credit Risk**

The Authority places no limit on the amount it may invest in any one issuer.

**GUNNISON/HINSDALE COMBINED EMERGENCY  
TELEPHONE SERVICE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended December 31, 2013**

**NOTE 3: CAPITAL ASSETS**

A summary of changes in capital assets for the year ended December 31, 2013 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Machinery and equipment	\$ 679,957	\$ -	\$ -	\$ 679,957
Total capital assets, being depreciated	<u>679,957</u>	<u>-</u>	<u>-</u>	<u>679,957</u>
Less accumulated depreciation for:				
Machinery and equipment	<u>(650,539)</u>	<u>(5,581)</u>	<u>-</u>	<u>(656,120)</u>
Total accumulated depreciation	<u>(650,539)</u>	<u>(5,581)</u>	<u>-</u>	<u>(656,120)</u>
Total capital assets, being depreciated, net	<u>\$ 29,418</u>	<u>\$ (5,581)</u>	<u>\$ -</u>	<u>\$ 23,837</u>

**NOTE 4: FUND BALANCE/NET POSITION RESTRICTIONS**

**Tax Spending and Debt Limitations**

On November 3, 1992, the voters of Colorado approved Amendment 1 commonly known as the TABOR Amendment which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations which apply to the State of Colorado, all local governments and special districts.

The Authority's financial activity for the year ended December 31, 2013 will provide the basis for calculation of future limitations, adjusted for allowable increases tied to inflation and local growth. Subsequent to December 31, 1992, revenue in excess of the Authority's "spending limit" must be refunded unless voters approve the retention of such excess revenue. TABOR generally requires voter approval for any new tax, tax increases and new debt.

TABOR is extremely complex and subject to interpretation. Ultimate implementation may depend upon litigation and legislative guidance. The Authority's management believes it is in compliance with the TABOR amendment.

Article X requires an emergency reserve be set aside for 2013 in the amount of 3 percent or more of its fiscal year spending. At December 31, 2013, the Authority has restricted the amount of \$6,500 for emergencies.

**GUNNISON/HINSDALE COMBINED EMERGENCY  
TELEPHONE SERVICE AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended December 31, 2013**

**NOTE 5: RELATED PARTY TRANSACTIONS**

The Authority has an arrangement with the City of Gunnison (the "City"), a related party by virtue of the City's involvement in the Authority, whereby the City provides personnel services to the Authority. The City receives a reimbursement for these services equal to 20% of the fully burdened compensation costs associated with the personnel involved. During 2013, the Authority incurred approximately \$108,511 in fees relating to this arrangement.

In addition, the Authority incurred costs relating to the new City's new Public Safety Facility, which were paid to the City of Gunnison. These costs included computers, the 911 system, furniture, installation of equipment, and a new generator, totaling \$329,209. These amounts are reported as capital outlay in the Authority's financial statements, but are reimbursements to the City for costs incurred under the construction of the facility. The City owns the assets for the Facility and these costs will be capitalized by the City.

**NOTE 6: RISK MANAGEMENT**

The Authority carries insurance coverage for all foreseeable risks of loss. This insurance coverage is included as a part of the City of Gunnison's insurance coverage. During 2013, the City of Gunnison did not request any remuneration for the insurance policies in place.

The Authority has not materially changed its coverage from previous years. Based on the lack of previous loss occurrences, the Authority has not recorded any liability for unpaid claims at December 31, 2013.

**NOTE 7: COMMITMENTS**

The Authority has an outstanding commitment of \$83,652 to the new Public Safety Facility for the 911 system (\$68,197) and installation of equipment (\$15,455).

**NOTE 8: SUBSEQUENT EVENTS**

Management of the Authority has evaluated subsequent events through July 18, 2014, the date the financial statements were available to be issued. No transactions or events that would require adjustment to or disclosure in the financial statements were identified.

**REQUIRED SUPPLEMENTARY INFORMATION**

**GUNNISON/HINSDALE COMBINED EMERGENCY TELEPHONE SERVICE AUTHORITY**

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

**Year Ended December 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Positive (Negative) Variance with Final Budget</b>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
REVENUES				
Telephone surcharges	\$ 216,600	\$ 216,600	\$ 214,636	\$ (1,964)
Earnings on investments	1,700	1,700	1,210	(490)
TOTAL REVENUES	<u>218,300</u>	<u>218,300</u>	<u>215,846</u>	<u>(2,454)</u>
EXPENDITURES				
Capital outlay	413,000	413,000	329,209	83,791
Other purchased services	127,587	127,587	119,012	8,575
Telephone service	25,870	25,870	23,977	1,893
Repairs and maintenance	17,000	17,000	22,953	(5,953)
Utilities	10,380	10,380	9,199	1,181
Professional services	4,850	4,850	4,087	763
Rental services	948	948	900	48
Office and operating supplies	150	150	130	20
Fuel and lubricant supplies	5,000	5,000	-	5,000
Printing and publication	25	25	-	25
Travel, meals and lodging	500	500	-	500
Miscellaneous	1,000	1,000	-	1,000
TOTAL EXPENDITURES	<u>606,310</u>	<u>606,310</u>	<u>509,467</u>	<u>96,843</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$ (388,010)</u>	<u>\$ (388,010)</u>	(293,621)	<u>\$ 94,389</u>
Fund balance at beginning of year			<u>572,152</u>	
Fund balance at end of year			<u>\$ 278,531</u>	

See accompanying independent auditor's report.