

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

BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

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

TABLE OF CONTENTS

YEAR ENDED DECEMBER 31, 2008

INTRODUCTORY SECTION

Board Members	i
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FINANCIAL SECTION

Independent Auditors' Report	1
Management's Discussion and Analysis	2-4

Basic Financial Statements

Statement of Net Assets	5
Statement of Activities	6
Balance Sheet - Governmental Funds	7
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	8
Budgetary Comparison Schedule	9
Notes to the Financial Statements	10-14

INTRODUCTORY SECTION

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

BOARD MEMBERS

YEAR ENDED DECEMBER 31, 2008

Voting

Jack Crumpton - Crested Butte Marshall's Office

Keith Robinson - City of Gunnison Police Department

Stu Ferguson - Gunnison City Council

Mike Miller - Crested Butte Fire Protection District

Rick Murdie - Gunnison County Sheriff's Office

Ed Nettleton - Hinsdale County

Hank Smith - Mt. Crested Butte Police Department

Dennis Spritzer - Gunnison Fire Protection District

Non-Voting

Chuck Dotts - City of Gunnison Dispatch

Wendy Hanson - Secretary/Treasurer

Scott Morril - Gunnison County Emergency Services

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

June 8, 2009

To the 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, 2008, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the Authority's 2007 financial statements which were audited by other auditors whose report dated June 13, 2008, expressed unqualified opinion on the respective financial statements of the governmental activities and the general fund.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 Authority, as of December 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 4, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion 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 basic 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 express no opinion on them.

Watkins & Schommer, Inc.

Watkins & Schommer, Inc.
Greeley, Colorado



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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2008

The Gunnison/Hinsdale Combined Emergency Telephone Service Authority's (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 2008 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 5.

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
Budgetary Comparison Schedule

Notes to the Financial Statements

The financial statements are on page 5 through 9. These provide information about the Authority's financial position as of December 31, 2008, its results of operations for the year ended December 31, 2008, and information comparing actual revenues and expenditures with budgeted revenues and expenditures for the year. Except for the government-wide financial statements, these are presented with prior year comparison.

The Statement of Net Assets, 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 assets). 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 Assets.

The Balance Sheets - 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2008

The Statement of Revenues, Expenditures, and Changes in Fund Balances - 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.

The two reconciliations, which accompany these governmental funds statements, provide explanations of the specific differences in these statements as compared to the Statement of Net Assets 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 Assets

<i>As of December 31,</i>	2008	2007
Current assets	\$ 394,500	\$ 297,280
Current liabilities	30,742	25,328
Net Assets	\$ 363,758	\$ 271,952

Statements of Activities

<i>For the Year Ended December 31,</i>	2008	2007
General Revenues:		
Telephone surcharges	\$ 242,567	\$ 237,255
Interest income	4,790	6,003
Total General Revenues	247,357	243,258
Expenses:		
Administrative and operating	155,551	140,227
Debt service	-	8,110
Total Expenses	155,551	148,337
Change in Net Assets	\$ 91,806	\$ 94,921

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 5.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2008

Analysis of Financial Position and Operating Results

For 2008 net assets increased to \$363,758, which is an increase of \$91,806. This was the result of program revenues and investment earnings being sufficient to cover the 2008 operating expenses of the Authority.

Net Assets at December 31, 2008 and December 31, 2007 of \$4,700 and \$7,700 are restricted for the emergency reserve in compliance with TABOR.

Cash and Cash Equivalents, along with Temporary Investments at December 31, 2008 were \$95,100 more than the amount at December 31, 2007. These balances at December 31, 2008, represent approximately 89.5% of current and total assets of the Authority.

Total liabilities of the Authority at December 31, 2008 were \$30,742, entirely comprised of accounts payable. This represents an increase of \$5,414, or 21.4%. This is a result of the timing of payments to vendors.

Revenues and Expenses of the Authority remained virtually unchanged between 2008 and 2007.

Budgetary Analysis and Discussion - General Fund

There were no revisions to the originally adopted 2008 budget.

Capital Assets and Long-Term Liabilities

Capital assets of the Authority consist entirely of telephone equipment, which was fully depreciated during prior years.

During 2007, the Authority made the final principal payment on the capital lease obligation for the purchase of the telephone equipment. The Authority does not currently have any other debt.

Infrastructure Assets

The Authority does not have infrastructure assets.

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 ASSETS

December 31, 2008

ASSETS

Current Assets

Cash and equivalents	\$ 252,978
Temporary investments	100,000
Accounts receivable	<u>41,522</u>

Total Current Assets 394,500

Property, Plant and Equipment

Machinery and equipment	633,075
Accumulated depreciation	<u>(633,075)</u>

Total Property, Plant and Equipment -

TOTAL ASSETS 394,500

LIABILITIES

Current Liabilities

Accounts payable	<u>30,742</u>
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NET ASSETS

Restricted for TABOR Emergency	4,700
Unrestricted	<u>359,058</u>

TOTAL NET ASSETS \$ 363,758

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, 2008

<u>FUNCTIONS / PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES OPERATING GRANTS</u>	<u>NET (EXPENSES) REVENUES AND CHANGES IN NET ASSETS GOVERNMENTAL ACTIVITIES</u>
GOVERNMENTAL ACTIVITIES:			
EMERGENCY TELEPHONE & DISPATCH	\$ 155,551	\$ -	\$ (155,551)
GENERAL REVENUES			
Telephone surcharges			242,567
Investment earnings			4,790
			<u>247,357</u>
Total General Revenues			247,357
CHANGE IN NET ASSETS			91,806
NET ASSETS, Beginning			<u>271,952</u>
NET ASSETS, Ending			<u>\$ 363,758</u>

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

GUNNISON/HINSDALE COMBINED EMERGENCY TELEPHONE SERVICE AUTHORITY

BALANCE SHEET - GOVERNMENTAL FUND

**December 31, 2008
(With Comparative Totals for December 31, 2007)**

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 252,978	\$ 157,878
Temporary investments	100,000	100,000
Accounts receivable	<u>41,522</u>	<u>39,402</u>
 TOTAL ASSETS	 <u>\$ 394,500</u>	 <u>\$ 297,280</u>
 LIABILITIES AND FUND BALANCE		
 LIABILITIES		
Accounts payable	<u>\$ 30,742</u>	<u>\$ 25,328</u>
 FUND BALANCE		
Reserved for TABOR Emergency	4,700	7,700
Unreserved	<u>359,058</u>	<u>264,252</u>
 TOTAL FUND BALANCE	 <u>363,758</u>	 <u>271,952</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 394,500</u>	 <u>\$ 297,280</u>
 TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	 \$ 363,758	 \$ 271,952
 Capital assets used in governmental activities are not resources and not reported in the funds:		
Capital assets, cost	633,075	633,075
Accumulated depreciation	<u>(633,075)</u>	<u>(633,075)</u>
 TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	 <u>\$ 363,758</u>	 <u>\$ 271,952</u>

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

GUNNISON/HINSDALE COMBINED EMERGENCY TELEPHONE SERVICE AUTHORITY

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND**

**Year Ended December 31, 2008
(With Comparative Totals for the Year Ended December 31, 2007)**

	<u>2008</u>	<u>2007</u>
REVENUES		
Telephone surcharges	\$ 242,567	\$ 237,255
Investment earnings	4,790	6,003
	<hr/>	<hr/>
TOTAL REVENUES	247,357	243,258
	<hr/>	<hr/>
EXPENSES		
Administrative and operating	155,551	140,227
Debt service	-	8,110
	<hr/>	<hr/>
TOTAL EXPENSES	155,551	148,337
	<hr/>	<hr/>
NET CHANGES IN FUND BALANCES	91,806	94,921
FUND BALANCE, Beginning	271,952	177,031
	<hr/>	<hr/>
FUND BALANCE, Ending	<u>\$ 363,758</u>	<u>\$ 271,952</u>
	<hr/>	<hr/>
NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 91,806	\$ 94,921

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

Principal payments on debt are reported as expenditures in the funds:

Principal payments on capital lease obligations	-	7,997
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Purchases of fixed assets are expensed in governmental funds:
and depreciated on the statement of activities:

Depreciation expense	-	(10,739)
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CHANGE IN NET ASSETS IN GOVERNMENTAL ACTIVITIES

	<u>\$ 91,806</u>	<u>\$ 92,179</u>
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The accompanying notes are an integral part of the financial statements.

GUNNISON/HINSDALE COMBINED EMERGENCY TELEPHONE SERVICE AUTHORITY

BUDGETARY COMPARISON SCHEDULE -
E911 SPECIAL REVENUE FUND

Year Ended December 31, 2008
(With Comparative Totals for the Year Ended December 31, 2007)

	2008			2007 Actual
	Original/ Final Budget	Actual	Variance Favorable (Unfavorable)	
REVENUES				
Telephone surcharges	\$ 216,000	\$ 242,567	\$ 26,567	\$ 237,255
Investment earnings	3,665	4,790	1,125	6,003
TOTAL REVENUES	<u>219,665</u>	<u>247,357</u>	<u>27,692</u>	<u>243,258</u>
EXPENDITURES				
ADMINISTRATIVE				
Other purchased services	102,435	103,359	(924)	95,159
Telephone service	41,889	29,145	12,744	36,368
Small equipment	-	13,977	(13,977)	-
Repairs and maintenance	5,000	4,282	718	5,658
Utilities	2,000	2,085	(85)	1,590
Professional services	3,000	1,553	1,447	462
Rental services	1,200	1,125	75	900
Office and operating supplies	100	25	75	90
Printing and publication	25	-	25	-
Travel, meals and lodging	50	-	50	-
Miscellaneous	4,500	-	4,500	-
TOTAL ADMINISTRATIVE	<u>160,199</u>	<u>155,551</u>	<u>4,648</u>	<u>140,227</u>
DEBT SERVICE				
Principal	-	-	-	7,997
Interest	-	-	-	113
TOTAL DEBT SERVICE	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,110</u>
TOTAL EXPENDITURES	<u>160,199</u>	<u>155,551</u>	<u>4,648</u>	<u>148,337</u>
REVENUES IN EXCESS OF EXPENDITURES	<u>\$ 59,466</u>	91,806	<u>\$ 32,340</u>	94,921
FUND BALANCE, Beginning		<u>271,952</u>		<u>177,031</u>
FUND BALANCE, Ending		<u>\$ 363,758</u>		<u>\$ 271,952</u>

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

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History and Function of Organization

The Gunnison/Hinsdale Combined Emergency Telephone Service Authority (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 services.

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, the Authority's management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board ("GASB") Statement No. 14, "The Financial Reporting Entity."

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and Statement of Activities) report information on all of the non-fiduciary activities of the government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Authority has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment 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.

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. Basis of accounting relates 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.

Grant and entitlement revenues are recognized to the extent of related expenditures or when compliance with matching requirements is met. A receivable is established when the related expenditures exceed revenue receipts and a deferred revenue account is established when receipts exceed the related expenditures.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 government 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 account for revenues derived from specific taxes or other designated revenues that are legally restricted to expenditures for specific purposes. The Authority's general fund is as follows:

911 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.

Budgets and Budgetary Accounting

Budgets are prepared on the same basis of accounting as that used for accounting purposes. 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 Trustees by October 15 of each year;
and
- 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.

Accounts Receivable

The Authority recognizes all telephone surcharges on an accrual basis. Therefore, the Authority has recorded a receivable for those surcharges related to 2008 but not received until 2009

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Expenditures for capital assets are recorded as expenditures in the governmental fund. They 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.

Net Assets/Fund Balance

Net Assets and Fund Balances are segregated into various categories depending on the restrictions or reservations placed on the balance. The following is a summary of the categories:

Restricted/Reserved

Restricted and reserved balances indicate that portion of net assets or fund equity that has been legally segregated for specific purposes.

The Authority has restricted net assets and reserved fund equity for the emergency reserve required by the Taxpayer's Bill of Rights ("TABOR").

Unrestricted/Unreserved

Unrestricted represents equity which is available for budgeting in future periods.

NOTE 2: CASH AND TEMPORARY INVESTMENTS

At December 31, 2008 cash and investments consisted of the following:

<u>Cash and Equivalents</u>	Book Balance	Bank Balance
Checking	\$ 226,986	\$ 228,509
Money market	25,992	25,992
Total cash and cash equivalents:	<u>\$ 252,978</u>	<u>\$ 254,501</u>
Insured deposits	\$ 250,000	\$ 250,000
Collateralized deposits	2,978	4,501
	<u>\$ 252,978</u>	<u>\$ 254,501</u>
 <u>Temporary Investments</u>	Cost	Fair Market Value
Certificate of deposit	\$ 100,000	\$ 100,000

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

NOTE 2: CASH AND TEMPORARY INVESTMENTS (Continued)

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 levels 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 Commissions 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.

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, 2008, \$4,501 of the Authority's bank balance of \$254,501 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through the 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, 2008, the Authority held no investments in marketable debt or equity securities.

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; money; 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.

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

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2008

NOTE 2: CASH AND TEMPORARY INVESTMENTS (Continued)

Concentration of Investment Credit Risk

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

NOTE 3: FUND BALANCE RESERVES/NET ASSET 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, 2008 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.

The Article requires an emergency reserve be set aside for 2008 in the amount of 3 percent or more of its fiscal year spending. At December 31, 2008, the Authority has reserved the amount of \$4,700 for emergencies.

NOTE 4: 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 2008, the Authority incurred approximately \$103,000 in fees relating to this arrangement. As of December 31, 2008, the Authority had a balance due to the City of approximately \$28,000, which is included in accounts payable in the accompanying Balance Sheet and Statement of Net Assets.

NOTE 5: 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 2008, 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, 2008.