

**JEFFERSON COUNTY EMERGENCY
COMMUNICATIONS AUTHORITY**

FINANCIAL STATEMENTS

December 31, 2009

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Board of Directors
Jefferson County Emergency Communications Authority
Jefferson County, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of the Jefferson County Emergency Communications Authority as of and for the year ended December 31, 2009. These financial statements are the responsibility of the Jefferson County Emergency Communications Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Jefferson County Emergency Communications Authority's 2008 financial statements and in our report dated July 20, 2009, we expressed an unqualified opinion on those financial statements.

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.

The Jefferson County Emergency Communications Authority has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Jefferson County Emergency Communications Authority as of December 31, 2009, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the Jefferson County Emergency Communications Authority's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Swanhorst & Company LLC

June 23, 2010

BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY EMERGENCY
COMMUNICATIONS AUTHORITY

STATEMENT OF NET ASSETS

December 31, 2009

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and Investments	\$ 13,990,950	\$ 13,665,321
Accounts Receivable	<u>804,629</u>	<u>804,415</u>
TOTAL ASSETS	14,795,579	14,469,736
LIABILITIES		
Accounts Payable	<u>1,603,837</u>	<u>320,739</u>
NET ASSETS		
Unrestricted	<u>\$ 13,191,742</u>	<u>\$ 14,148,997</u>

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

JEFFERSON COUNTY EMERGENCY
COMMUNICATIONS AUTHORITY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
Year Ended December 31, 2009

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
Emergency Telephone Charges	\$ 4,932,103	\$ 4,751,980
 TOTAL OPERATING REVENUES	 <u>4,932,103</u>	 <u>4,751,980</u>
OPERATING EXPENSES		
Line Charges	484,015	595,097
Special Projects	566,783	40,433
Equipment Purchases	4,210,041	1,048,247
Repair and Maintenance	241,562	444,564
Salaries and Benefits	107,588	-
Consultants	167,755	167,498
Training	135,786	77,759
Educational Materials	35,380	66,493
Accounting and Audit	12,014	38,272
Legal	87,509	95,668
Miscellaneous	12,018	8,384
 TOTAL OPERATING EXPENSES	 <u>6,060,451</u>	 <u>2,582,415</u>
 NET OPERATING INCOME	 (1,128,348)	 2,169,565
NONOPERATING REVENUES		
Investment Income	171,093	379,079
 CHANGE IN NET ASSETS	 (957,255)	 2,548,644
NET ASSETS, Beginning	<u>14,148,997</u>	<u>11,600,353</u>
NET ASSETS, Ending	\$ <u><u>13,191,742</u></u>	\$ <u><u>14,148,997</u></u>

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

JEFFERSON COUNTY EMERGENCY
COMMUNICATIONS AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended December 31, 2009

Increase (Decrease) in Cash and Cash Equivalents

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Emergency Telephone Charges	\$ 4,931,889	\$ 4,760,892
Cash Payments to Suppliers	<u>(4,777,353)</u>	<u>(2,492,923)</u>
Net Cash Provided by Operating Activities	154,536	2,267,969
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings Received	<u>171,093</u>	<u>379,079</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	325,629	2,647,048
CASH AND CASH EQUIVALENTS, Beginning	<u>13,665,321</u>	<u>11,018,273</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 13,990,950</u>	<u>\$ 13,665,321</u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Operating Income	\$ (1,128,348)	\$ 2,169,565
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities		
Changes in Assets and Liabilities		
Accounts Receivable	(214)	8,912
Accounts Payable	<u>1,283,098</u>	<u>89,492</u>
Net Cash Provided by Operating Activities	<u>\$ 154,536</u>	<u>\$ 2,267,969</u>

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

JEFFERSON COUNTY EMERGENCY
COMMUNICATIONS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Jefferson County Emergency Telephone Service Authority (the “Authority”) was formed in October, 1983. The Authority provides emergency telephone service in Jefferson and Broomfield Counties. On May 21, 2009, the Authority’s name was changed to the Jefferson County Emergency Communications Authority.

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. 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.

Reporting Entity

In accordance with governmental accounting standards, the Authority has considered the possibility of including additional entities in its financial statements. The definition of the reporting entity is based primarily on financial accountability. The Authority is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if Authority officials appoint a voting majority of the organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Authority. The Authority may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of this criteria, the Authority does not include additional organizations in its reporting entity.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority uses an enterprise fund to account for its operations. 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 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 the 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

JEFFERSON COUNTY EMERGENCY
COMMUNICATIONS AUTHORITY

NOTES TO FINANCIAL STATEMENTS
December 31, 2009

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 and producing and delivering goods in connection with ongoing operations. Operating expenses include the cost of sales and services, and administrative expenses. 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 practice to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Net Assets

Cash and Investments - Cash equivalents include investments with original maturities of three months or less. Investments are reported at fair value.

Accounts Receivable - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital Assets - Under an amendment to the intergovernmental agreement forming the Authority, effective January 1, 1998, the Authority transferred title and ownership of equipment purchased for the operation of emergency telephone service to the governmental entities that are parties to the agreement, if such equipment is located at, and operated by, the governmental entity. The Authority purchased equipment for the benefit of other governmental entities during the year ended December 31, 2009, totaling \$4,210,041.

Risk Management

The Authority is exposed to various risks of loss related to errors and omissions, and has purchased commercial insurance for these risks of loss.

Comparative Information

Comparative information for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Authority's financial position and operations. However, complete comparative information in accordance with generally accepted accounting principles has not been presented.

JEFFERSON COUNTY EMERGENCY
COMMUNICATIONS AUTHORITY

NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

Budgets are required by State statutes and are adopted on a basis consistent with generally accepted accounting principles (GAAP). The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to October 15, management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Prior to December 31, the budget is legally enacted through passage of an ordinance.
- Expenditures may not legally exceed appropriations. Revisions that alter total expenditures must be approved by the Board of Directors. All appropriations lapse at year end.

NOTE 3: CASH AND INVESTMENTS

At December 31, 2009, the Authority had the following cash and investments.

Deposits	\$ 10,793,028
Investments	<u>3,197,922</u>
Total	<u>\$ 13,990,950</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all local government entities deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The 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 uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2009, the Authority had bank deposits of \$10,721,161 collateralized with securities held by the financial institution's agent but not in the Authority's name.

Investments

The Authority is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

JEFFERSON COUNTY EMERGENCY
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NOTES TO FINANCIAL STATEMENTS
December 31, 2009

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years.

Local Government Investment Pool - At December 31, 2009, the Authority had \$3,197,922 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates similarly to a money market fund with each share equal in value to \$1.00. Colotrust is rated AAAM by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

NOTE 4: CONTINGENCY

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of an expiring tax, or tax policy change directly causing a net tax revenue gain to the Authority. Revenue in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue. The Authority's management believes it is exempt from the provisions of the Amendment. However, the Amendment is complex and subject to interpretation. Many of its provisions may require judicial interpretation.

NOTE 5: CONCENTRATION OF RISK

The Authority operates solely in Jefferson and Broomfield Counties, Colorado, and its only significant source of revenue is a surcharge on telephone service in that geographic region.

SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY EMERGENCY
COMMUNICATIONS AUTHORITY

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2009

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES			
Emergency Telephone Charges	\$ 4,200,000	\$ 4,932,103	\$ 732,103
Investment Income	340,000	171,093	(168,907)
TOTAL REVENUES	<u>4,540,000</u>	<u>5,103,196</u>	<u>563,196</u>
 EXPENSES			
Line Charges	500,000	484,015	15,985
Special Projects	1,044,500	566,783	477,717
Equipment Purchases	4,174,496	4,210,041	(35,545)
Repair and Maintenance	300,000	241,562	58,438
Salaries and Benefits	110,500	107,588	2,912
Consultants	241,000	167,755	73,245
Training	128,000	135,786	(7,786)
Educational Materials	120,000	35,380	84,620
Accounting and Audit	9,000	12,014	(3,014)
Legal	80,000	87,509	(7,509)
Miscellaneous	11,000	12,018	(1,018)
TOTAL EXPENSES	<u>6,718,496</u>	<u>6,060,451</u>	<u>658,045</u>
CHANGE IN NET ASSETS	(2,178,496)	(957,255)	1,221,241
NET ASSETS, Beginning	<u>13,620,839</u>	<u>14,148,997</u>	<u>528,158</u>
NET ASSETS, Ending	<u>\$ 11,442,343</u>	<u>\$ 13,191,742</u>	<u>\$ 1,749,399</u>

See the accompanying Independent Auditor's Report.