

**JEFFERSON COUNTY EMERGENCY
COMMUNICATIONS AUTHORITY**

FINANCIAL STATEMENTS

December 31, 2011

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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, 2011. 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.

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 financial position of the Jefferson County Emergency Communications Authority as of December 31, 2011, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Jefferson County Emergency Communications Authority has omitted the management's discussion and analysis that 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 be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Jefferson County Emergency Communications Authority's financial statements as a whole. The supplementary information 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 the 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 supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Swanhorst & Company LLC

May 23, 2012

BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY EMERGENCY
COMMUNICATIONS AUTHORITY

STATEMENT OF NET ASSETS

December 31, 2011

ASSETS	
Cash and Investments	\$ 10,097,767
Accounts Receivable	750,050
Grants Receivable	465,393
Accrued Interest Receivable	5,712
Capital Assets, Not Being Depreciated	<u>792,883</u>
TOTAL ASSETS	\$ <u>12,111,805</u>
LIABILITIES	
Accounts Payable	\$ 1,392,717
Accrued Compensated Absences	<u>25,459</u>
TOTAL LIABILITIES	<u>1,418,176</u>
NET ASSETS	
Invested in Capital Assets	792,883
Unrestricted	<u>9,900,746</u>
TOTAL NET ASSETS	<u>10,693,629</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>12,111,805</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, 2011

OPERATING REVENUES	
Emergency Telephone Charges	\$ 4,855,627
Miscellaneous	<u>1,974</u>
TOTAL OPERATING REVENUES	<u>4,857,601</u>
OPERATING EXPENSES	
Administrative	266,200
Agency Operating	1,041,421
Consultants	72,692
Disaster and Recovery Plan	52,584
Emergency Medical Dispatching	45,862
GIS System	308,036
Line Charges	482,225
Logging Systems	97,573
Master Street Address Guide Maintenance	67,582
Notification System	145,799
Phone System	1,183,879
Public Education	13,410
Programs	1,147,386
Recruiting	10,343
Special Projects	557,917
Training	140,291
Translation Services	<u>13,141</u>
TOTAL OPERATING EXPENSES	<u>5,646,341</u>
NET OPERATING INCOME (LOSS)	(788,740)
NONOPERATING REVENUES	
Investment Income	<u>29,740</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(759,000)
CAPITAL CONTRIBUTIONS	
Broadband Technology Opportunities Grant	<u>465,393</u>
CHANGE IN NET ASSETS	(293,607)
NET ASSETS, Beginning	<u>10,987,236</u>
NET ASSETS, Ending	<u>\$ 10,693,629</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, 2011

Increase (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Emergency Telephone Charges	\$ 4,826,467
Cash Paid to Employees	(118,639)
Cash Payments to Suppliers	<u>(5,012,579)</u>
Net Cash Provided (Used) by Operating Activities	(304,751)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(667,012)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Earnings Received	<u>24,028</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(947,735)
CASH AND CASH EQUIVALENTS, Beginning	<u>11,045,502</u>
CASH AND CASH EQUIVALENTS, Ending	\$ <u><u>10,097,767</u></u>
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Net Operating Income (Loss)	\$ (788,740)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Changes in Assets and Liabilities	
Accounts Receivable	(31,134)
Accounts Payable	489,664
Accrued Compensated Absences	<u>25,459</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>(304,751)</u></u>

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

JEFFERSON COUNTY EMERGENCY
COMMUNICATIONS AUTHORITY

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Jefferson County Emergency Communications Authority (the “Authority”) was formed in October, 1983. The Authority provides emergency telephone service in Jefferson and Broomfield Counties, Colorado.

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

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.

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.

JEFFERSON COUNTY EMERGENCY
COMMUNICATIONS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2011, totaling \$2,088,242.

The Authority capitalizes all assets with an original cost of \$5,000 or more, and a useful life of one year or more. Depreciation of capital assets is computed using the straight-line method over the following estimated useful lives of the assets.

Fiber Optic Network	20 years
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Compensated Absences - The Authority's employee is allowed to accumulate unused vacation and sick time within certain limits. Upon separation of employment from the Authority, the employee will be compensated for unused vacation time up to a maximum of 240 hours and accrued sick time in excess of 300 hours and less than 700 hours at the employee's pro rata salary. These compensated absences are recognized as a liability in the financial statements when earned.

Net Assets - Net assets are restricted when constraints placed on the use of resources are externally imposed.

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.

JEFFERSON COUNTY EMERGENCY
COMMUNICATIONS AUTHORITY

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

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, 2011, the Authority had the following cash and investments.

Deposits	\$ 6,889,511
Investments	<u>3,208,256</u>
Total	<u>\$ 10,097,767</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to 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 fair value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2011, the Authority had bank deposits of \$7,407,247 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
COMMUNICATIONS AUTHORITY

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

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.

Credit Risk - State statutes limit investments to those with certain ratings established by the nationally recognized statistical rating organizations, depending on the type of investment.

Local Government Investment Pool - At December 31, 2011, the Authority had \$3,208,256 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 in conformity with the Securities and Exchange Commission's Rule 2a-7 as promulgated under the Investment Company Act of 1940, as amended. 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: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011, was as follows:

	Balances 12/31/10	Additions	Deletions	Balances 12/31/11
Capital Assets, Not Being Depreciated				
Rights of Way	\$ -	\$ 21,367	\$ -	\$ 21,367
Construction in Progress	92,958	678,558	-	771,516
Total Capital Assets	\$ 92,958	\$ 699,925	\$ -	\$ 792,883

JEFFERSON COUNTY EMERGENCY
COMMUNICATIONS AUTHORITY

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

NOTE 5: RETIREMENT COMMITMENTS

The Authority has established a flexible 401(k) profit sharing plan on behalf of its employees. The Authority will contribute a matching amount for all employee contributions up to 10% of each participating employee's compensation. Employees are eligible to participate in the plan upon employment if 1,000 hours of service are provided annually, and become fully vested in all contributions immediately. The plan provisions and contribution requirements are established and may be amended by the Board of Directors. For the year ended December 31, 2011, the Authority contributed \$9,198 to the plan.

NOTE 6: 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 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 7: 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.

NOTE 8: RESTATEMENT

During the year ended December 31, 2011, the Authority determined that it would retain ownership of a fiber optic network. Certain costs incurred during the year ended December 31, 2010, related to the fiber optic network and have been subsequently capitalized. As a result, net assets and capital assets at December 31, 2010, were restated, as follows:

	<u>Net Assets</u>	<u>Capital Assets</u>
Net Assets, December 31, 2010, as Originally Stated	\$ 10,894,278	\$ -
Capital Assets	<u>92,958</u>	<u>92,958</u>
Net Assets, December 31, 2010, as Restated	<u>\$ 10,987,236</u>	<u>\$ 92,958</u>

SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY EMERGENCY
COMMUNICATIONS AUTHORITY

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2011

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Emergency Telephone Charges	\$ 4,500,000	\$ 4,855,627	\$ 355,627
Miscellaneous	-	1,974	1,974
Investment Income	93,432	29,740	(63,692)
Broadband Technology Opportunities Grant	-	465,393	465,393
TOTAL REVENUES	<u>4,593,432</u>	<u>5,352,734</u>	<u>759,302</u>
EXPENSES			
Administrative	225,000	266,200	(41,200)
Agency Operating	1,728,634	1,041,421	687,213
Consultants	91,823	72,692	19,131
Disaster and Recovery Plan	690,611	52,584	638,027
Emergency Medical Dispatching	198,988	45,862	153,126
GIS System	182,465	308,036	(125,571)
Line Charges	531,836	482,225	49,611
Logging Systems	140,000	97,573	42,427
Master Street Address Guide Maintenance	85,400	67,582	17,818
Notification System	150,000	145,799	4,201
Phone System	2,309,150	1,183,879	1,125,271
Public Education	60,000	13,410	46,590
Programs	1,447,408	1,147,386	300,022
Recruiting	15,000	10,343	4,657
Special Projects	609,018	557,917	51,101
Training	208,000	140,291	67,709
Translation Services	15,000	13,141	1,859
TOTAL EXPENSES	<u>8,688,333</u>	<u>5,646,341</u>	<u>3,041,992</u>
CHANGE IN NET ASSETS	<u>(4,094,901)</u>	<u>(293,607)</u>	<u>3,801,294</u>
NET ASSETS, Beginning	<u>11,071,476</u>	<u>10,987,236</u>	<u>(84,240)</u>
NET ASSETS, Ending	<u>\$ 6,976,575</u>	<u>\$ 10,693,629</u>	<u>\$ 3,717,054</u>

See the accompanying Independent Auditor's Report.