

**JEFFERSON COUNTY EMERGENCY
TELEPHONE SERVICE AUTHORITY**

FINANCIAL STATEMENTS

December 31, 2007 and 2006

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Board of Directors
Jefferson County Emergency Telephone Service Authority
Jefferson County, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of the Jefferson County Emergency Telephone Service Authority as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Jefferson County Emergency Telephone Service Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

The Jefferson County Emergency Telephone Service 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 Telephone Service Authority as of December 31, 2007 and 2006, and the changes in its financial position and cash flows for the years 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 Telephone Service 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

July 31, 2008

BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY EMERGENCY
TELEPHONE SERVICE AUTHORITY

STATEMENT OF NET ASSETS

December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and Investments	\$ 11,018,273	\$ 9,191,649
Accounts Receivable	<u>813,327</u>	<u>759,095</u>
TOTAL ASSETS	11,831,600	9,950,744
LIABILITIES		
Accounts Payable	<u>231,247</u>	<u>939,846</u>
NET ASSETS		
Unrestricted	\$ <u><u>11,600,353</u></u>	\$ <u><u>9,010,898</u></u>

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

JEFFERSON COUNTY EMERGENCY
TELEPHONE SERVICE AUTHORITY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES		
Tarriffs	\$ 4,633,313	\$ 4,482,234
Miscellaneous	-	332,023
	<u>4,633,313</u>	<u>4,814,257</u>
OPERATING EXPENSES		
Line Charges	434,719	1,883,584
Special Projects	310,052	857,893
Equipment Purchases	942,903	652,116
Repair and Maintenance	259,188	251,414
Consultants	278,592	-
Training	81,483	67,217
Educational Materials	77,665	-
Accounting and Audit	31,379	16,405
Legal	131,185	104,526
Miscellaneous	10,221	14,012
	<u>2,557,387</u>	<u>3,847,167</u>
NET OPERATING INCOME	2,075,926	967,090
NONOPERATING REVENUES		
Investment Income	513,529	368,174
	<u>513,529</u>	<u>368,174</u>
CHANGE IN NET ASSETS	2,589,455	1,335,264
NET ASSETS, Beginning	9,010,898	7,675,634
NET ASSETS, Ending	<u>\$ 11,600,353</u>	<u>\$ 9,010,898</u>

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

JEFFERSON COUNTY EMERGENCY
TELEPHONE SERVICE AUTHORITY

STATEMENT OF CASH FLOWS
Years Ended December 31, 2007 and 2006
Increase (Decrease) in Cash and Cash Equivalents

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Operations	\$ 4,579,081	\$ 4,792,587
Cash Payments to Suppliers	<u>(3,265,986)</u>	<u>(3,033,058)</u>
Net Cash Provided by Operating Activities	1,313,095	1,759,529
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings Received	<u>513,529</u>	<u>368,174</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,826,624	2,127,703
CASH AND CASH EQUIVALENTS, Beginning	<u>9,191,649</u>	<u>7,063,946</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 11,018,273</u>	<u>\$ 9,191,649</u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Operating Income	\$ 2,075,926	\$ 967,090
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities		
Changes in Assets and Liabilities		
Accounts Receivable	(54,232)	(21,670)
Accounts Payable	<u>(708,599)</u>	<u>814,109</u>
Net Cash Provided by Operating Activities	<u>\$ 1,313,095</u>	<u>\$ 1,759,529</u>

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

JEFFERSON COUNTY EMERGENCY
TELEPHONE SERVICE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

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 County.

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 inclusion of 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
TELEPHONE SERVICE AUTHORITY

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

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 the Authority's principal 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 years ended December 31, 2007 and 2006, totaling \$942,903 and \$652,116, respectively.

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years.

JEFFERSON COUNTY EMERGENCY
TELEPHONE SERVICE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets

Budgets 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, the Authority's Treasurer 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 2: CASH AND INVESTMENTS

At December 31, 2007 and 2006, the Authority had the following cash and investments.

	<u>2007</u>	<u>2006</u>
Deposits	\$ 7,914,833	\$ 6,243,074
Investments	<u>3,103,440</u>	<u>2,948,575</u>
Total	<u>\$ 11,018,273</u>	<u>\$ 9,191,649</u>

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 regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

At December 31, 2007 and 2006, the Authority had bank deposits of \$8,651,777 and \$6,360,453, respectively, collateralized with securities held by the financial institution's agent but not in the Authority's name.

JEFFERSON COUNTY EMERGENCY
TELEPHONE SERVICE AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

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

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.

- 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

Local Government Investment Pool - At December 31, 2007 and 2006, the Authority had \$3,103,440 and \$2,948,575, respectively, 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 State Securities Commissioner 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 3: **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 4: **CONCENTRATION OF RISK**

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

SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY EMERGENCY
TELEPHONE SERVICE AUTHORITY

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2007

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Tariffs	\$ 4,400,000	\$ 4,633,313	\$ 233,313
Investment Income	275,000	513,529	238,529
TOTAL REVENUES	<u>4,675,000</u>	<u>5,146,842</u>	<u>471,842</u>
EXPENDITURES			
Line Charges	2,572,000	434,719	2,137,281
Special Projects	1,000,000	310,052	689,948
Equipment Purchases	4,069,966	942,903	3,127,063
Repair and Maintenance	400,000	259,188	140,812
Consultants	435,000	278,592	156,408
Training	113,000	81,483	31,517
Educational Materials	110,000	77,665	32,335
Accounting and Audit	18,500	31,379	(12,879)
Legal	50,000	131,185	(81,185)
Miscellaneous	19,300	10,221	9,079
TOTAL EXPENDITURES	<u>8,787,766</u>	<u>2,557,387</u>	<u>6,230,379</u>
CHANGE IN NET ASSETS	(4,112,766)	2,589,455	6,702,221
NET ASSETS, Beginning	<u>8,000,000</u>	<u>9,010,898</u>	<u>1,010,898</u>
NET ASSETS, Ending	<u>\$ 3,887,234</u>	<u>\$ 11,600,353</u>	<u>\$ 7,713,119</u>

See the accompanying Independent Auditor's Report.