JEFFERSON COUNTY EMERGENCY TELEPHONE SERVICE AUTHORITY

FINANCIAL STATEMENTS

December 31, 2008

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S&C Swanhorst & Company LLC
Certified Public Accountants

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 year ended December 31, 2008. 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 audit. The prior year summarized comparative information has been derived from the Jefferson County Emergency Telephone Service Authority's 2007 financial statements and in our report dated July 31, 2008, 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 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, 2008, 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 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 20, 2009

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BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY EMERGENCY
TELEPHONE SERVICE AUTHORITY

STATEMENT OF NET ASSETS
December 31, 2008

	2008	2007
ASSETS		
Cash and Investments	$ 13,665,321	$ 11,018,273
Accounts Receivable	804,415	813,327
TOTAL ASSETS	14,469,736	11,831,600
LIABILITIES		
Accounts Payable	320,739	231,247
NET ASSETS		
Unrestricted	$ 14,148,997	$ 11,600,353

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
Year Ended December 31, 2008

	2008	2007
OPERATING REVENUES		
Tariffs	$ 4,751,980	$ 4,633,313
TOTAL OPERATING REVENUES	4,751,980	4,633,313
OPERATING EXPENSES		
Line Charges	595,097	434,719
Special Projects	40,433	310,052
Equipment Purchases	1,048,247	942,903
Repair and Maintenance	444,564	259,188
Consultants	167,498	278,592
Training	77,759	81,483
Educational Materials	66,493	77,665
Accounting and Audit	38,272	31,379
Legal	95,668	131,185
Miscellaneous	8,384	10,221
TOTAL OPERATING EXPENSES	2,582,415	2,557,387
NET OPERATING INCOME	2,169,565	2,075,926
NONOPERATING REVENUES		
Investment Income	379,079	513,529
CHANGE IN NET ASSETS	2,548,644	2,589,455
NET ASSETS, Beginning	11,600,353	9,010,898
NET ASSETS, Ending	$ 14,148,997	$ 11,600,353

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

JEFFERSON COUNTY EMERGENCY
TELEPHONE SERVICE AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended December 31, 2008
Increase (Decrease) in Cash and Cash Equivalents

		2008		2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Operations	$	4,760,892	$	4,579,081
Cash Payments to Suppliers		(2,492,923)		(3,265,986)
Net Cash Provided by Operating Activities		2,267,969		1,313,095
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Earnings Received		379,079		513,529
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,647,048		1,826,624
CASH AND CASH EQUIVALENTS, Beginning		11,018,273		9,191,649
CASH AND CASH EQUIVALENTS, Ending	$	13,665,321	$	11,018,273
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Net Operating Income	$	2,169,565	$	2,075,926
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities				
Changes in Assets and Liabilities				
Accounts Receivable		8,912		(54,232)
Accounts Payable		89,492		(708,599)
Net Cash Provided by Operating Activities	$	2,267,969	$	1,313,095

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

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.

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.

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 year ended December 31, 2008, totaling $1,048,247.

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.

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.

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, 2008, the Authority had the following cash and investments.

Deposits	$ 10,480,902
Investments	3,184,419
Total	**$ 13,665,321**

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. 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, 2008, the Authority had bank deposits of $10,237,343 collateralized with securities held by the financial institution's agent but not in the Authority's name.

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

Interest Rate Risk - State statues 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, 2008, the Authority had $3,184,419 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 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 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
TELEPHONE SERVICE AUTHORITY

BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2008

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Tarriffs	$ 5,000,000	$ 4,751,980	$ (248,020)
Investment Income	-	379,079	379,079
TOTAL REVENUES	5,000,000	5,131,059	131,059
EXPENDITURES			
Line Charges	1,127,000	595,097	531,903
Special Projects	698,000	40,433	657,567
Equipment Purchases	4,400,071	1,048,247	3,351,824
Repair and Maintenance	1,017,915	444,564	573,351
Consultants	155,000	167,498	(12,498)
Training	121,000	77,759	43,241
Educational Materials	110,000	66,493	43,507
Accounting and Audit	35,000	38,272	(3,272)
Legal	100,000	95,668	4,332
Miscellaneous	13,800	8,384	5,416
TOTAL EXPENDITURES	7,777,786	2,582,415	5,195,371
CHANGE IN NET ASSETS	$ (2,777,786)	2,548,644	$ 5,326,430
NET ASSETS, Beginning		11,600,353	
NET ASSETS, Ending		$ 14,148,997	

See the accompanying Independent Auditor's Report.