JEFFERSON COUNTY EMERGENCY COMMUNICATIONS AUTHORITY

FINANCIAL STATEMENTS

December 31, 2010

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S&C Swanhorst & Company LLC
Certified Public Accountants

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, 2010. 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 2009 financial statements and in our report dated July 23, 2010, 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, 2010, 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.

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

May 2, 2011

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BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY EMERGENCY
COMMUNICATIONS AUTHORITY

STATEMENT OF NET ASSETS
December 31, 2010

	2010	2009
ASSETS		
Cash and Investments	$ 11,045,502	$ 13,990,950
Accounts Receivable	718,916	804,629
TOTAL ASSETS	11,764,418	14,795,579
LIABILITIES		
Accounts Payable	870,140	1,603,837
NET ASSETS		
Unrestricted	$ 10,894,278	$ 13,191,742

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, 2010

	2010	2009
OPERATING REVENUES		
Emergency Telephone Charges	$ 4,672,124	$ 4,932,103
TOTAL OPERATING REVENUES	4,672,124	4,932,103
OPERATING EXPENSES		
Line Charges	613,062	484,015
Special Projects	190,231	566,783
Equipment Purchases	4,781,861	4,210,041
Repair and Maintenance	811,692	241,562
Salaries and Benefits	110,785	107,588
Consultants	229,705	167,755
Training	173,057	135,786
Translation Services	13,511	-
Educational Materials	31,066	35,380
Accounting and Audit	10,633	12,014
Legal	59,655	87,509
Miscellaneous	12,550	12,018
TOTAL OPERATING EXPENSES	7,037,808	6,060,451
NET OPERATING INCOME (LOSS)	(2,365,684)	(1,128,348)
NONOPERATING REVENUES		
Investment Income	68,220	171,093
CHANGE IN NET ASSETS	(2,297,464)	(957,255)
NET ASSETS, Beginning	13,191,742	14,148,997
NET ASSETS, Ending	$ 10,894,278	$ 13,191,742

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

JEFFERSON COUNTY EMERGENCY
COMMUNICATIONS AUTHORITY

STATEMENT OF CASH FLOWS
Year Ended December 31, 2010
Increase (Decrease) in Cash and Cash Equivalents

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Emergency Telephone Charges	$ 4,757,837	$ 4,931,889
Cash Paid to Employees	(110,785)	(107,588)
Cash Payments to Suppliers	(7,660,720)	(4,669,765)
Net Cash Provided (Used) by Operating Activities	(3,013,668)	154,536
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings Received	68,220	171,093
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,945,448)	325,629
CASH AND CASH EQUIVALENTS, Beginning	13,990,950	13,665,321
CASH AND CASH EQUIVALENTS, Ending	$ 11,045,502	$ 13,990,950
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Net Operating Income (Loss)	$ (2,365,684)	$ (1,128,348)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Changes in Assets and Liabilities		
Accounts Receivable	85,713	(214)
Accounts Payable	(733,697)	1,283,098
Net Cash Provided (Used) by Operating Activities	$ (3,013,668)	$ 154,536

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. 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

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.

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, 2010, totaling $4,781,861.

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, this employee will be compensated for the accumulated vacation and sick time at the current rate of pay. No liability for these accrued compensated absences is reported in the financial statements since the amounts are not significant.

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.

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.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgets (Continued)

- 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, 2010, the Authority had the following cash and investments.

Deposits	$ 7,840,701
Investments	3,204,801
Total	**$ 11,045,502**

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, 2010, the Authority had bank deposits of $7,685,440 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.

- 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

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

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, 2010, the Authority had $3,204,801 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: 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, 2010

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Emergency Telephone Charges	$ 4,500,000	$ 4,672,124	$ 172,124
Investment Income	101,042	68,220	(32,822)
TOTAL REVENUES	4,601,042	4,740,344	139,302
EXPENSES			
Line Charges	700,000	613,062	86,938
Special Projects	130,000	190,231	(60,231)
Equipment Purchases	6,424,749	4,781,861	1,642,888
Repair and Maintenance	838,156	811,692	26,464
Salaries and Benefits	111,445	110,785	660
Consultants	151,000	229,705	(78,705)
Training	220,000	173,057	46,943
Translation Services	15,000	13,511	1,489
Educational Materials	60,000	31,066	28,934
Accounting and Audit	15,000	10,633	4,367
Legal	80,000	59,655	20,345
Miscellaneous	15,000	12,550	2,450
TOTAL EXPENSES	8,760,350	7,037,808	1,722,542
CHANGE IN NET ASSETS	(4,159,308)	(2,297,464)	1,861,844
NET ASSETS, Beginning	13,620,839	13,191,742	(429,097)
NET ASSETS, Ending	$ 9,461,531	$ 10,894,278	$ 1,432,747

See the accompanying Independent Auditor's Report.