

**JEFFERSON COUNTY EMERGENCY
COMMUNICATIONS AUTHORITY**

FINANCIAL STATEMENTS

December 31, 2013

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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, 2013, and the related notes to the financial statements, which collectively comprise the Jefferson County Emergency Communications Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters (Required Supplementary Information)

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 to 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.

Other Matters (Other 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 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

Swanlund & Company LLC

June 9, 2014

BASIC FINANCIAL STATEMENTS

JEFFERSON COUNTY EMERGENCY
COMMUNICATIONS AUTHORITY

STATEMENT OF NET POSITION

December 31, 2013

ASSETS

Cash and Investments	\$	7,819,977
Accounts Receivable		695,135
Grants Receivable		40,299
Prepaid Expenses		262,154
Capital Assets, Not Being Depreciated		<u>1,702,443</u>

TOTAL ASSETS

\$ 10,520,008

LIABILITIES AND NET POSITION

LIABILITIES

Accounts Payable	\$	818,053
Accrued Compensated Absences		<u>29,337</u>

TOTAL LIABILITIES

847,390

NET POSITION

Net Investment in Capital Assets		1,702,443
Unrestricted		<u>7,970,175</u>

TOTAL NET POSITION

9,672,618

TOTAL LIABILITIES AND NET POSITION

\$ 10,520,008

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

JEFFERSON COUNTY EMERGENCY
COMMUNICATIONS AUTHORITY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
Year Ended December 31, 2013

OPERATING REVENUES	
Emergency Telephone Charges	\$ 4,739,331
Miscellaneous	<u>11,465</u>
TOTAL OPERATING REVENUES	<u>4,750,796</u>
OPERATING EXPENSES	
Administrative	242,821
Agency Operating	773,597
Consultants	90,155
Disaster and Recovery Plan	3,245
Emergency Medical Dispatching	97,891
GIS System	279,014
Line Charges	561,314
Logging Systems	334,674
Master Street Address Guide Maintenance	69,675
Notification System	51,828
Phone System	451,843
Public Education	28,954
Programs	1,546,842
Recruiting	19,848
Special Projects	129,298
Training	134,700
Translation Services	<u>10,799</u>
TOTAL OPERATING EXPENSES	<u>4,826,498</u>
NET OPERATING INCOME (LOSS)	(75,702)
NONOPERATING REVENUES	
Investment Income	<u>10,615</u>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(65,087)
CAPITAL CONTRIBUTIONS	
Broadband Technology Opportunities Grant	<u>40,299</u>
CHANGE IN NET POSITION	(24,788)
NET POSITION, Beginning	<u>9,697,406</u>
NET POSITION, Ending	<u>\$ 9,672,618</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, 2013
Increase (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Emergency Telephone Charges	\$ 4,571,856
Cash Paid to Employees	(121,653)
Cash Payments to Suppliers	<u>(4,981,678)</u>
Net Cash Provided (Used) by Operating Activities	<u>(531,475)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(233,451)
Grants Received	<u>512,701</u>
Net Cash Provided by Capital and Related Financing Activities	<u>279,250</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Earnings Received	<u>10,615</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(241,610)
CASH AND CASH EQUIVALENTS, Beginning	<u>8,061,587</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 7,819,977</u>
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Net Operating Income (Loss)	\$ (75,702)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Changes in Assets and Liabilities	
Accounts Receivable	(178,940)
Prepaid Expenses	(262,154)
Accounts Payable	(15,978)
Accrued Compensated Absences	<u>1,299</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (531,475)</u>

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

JEFFERSON COUNTY EMERGENCY
COMMUNICATIONS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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 financial reporting entity consists of the Authority, organizations for which the Authority is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the Authority. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Authority. Legally separate organizations for which the Authority is financially accountable are considered part of the reporting entity. Financial accountability exists if the Authority appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on, the Authority.

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 a fee is charged to external users for goods or services.

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, administrative expenses, and depreciation on capital assets. 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, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position

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.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses.

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 entities. The Authority purchased equipment for the benefit of other governmental entities during the year ended December 31, 2013, totaling \$1,862,775.

The Authority capitalizes all assets with an original cost of \$5,000 or more, and a useful life of more than one year. 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 for 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 Position - Net position is 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 torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority maintains commercial insurance for these risks of loss.

JEFFERSON COUNTY EMERGENCY
COMMUNICATIONS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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 appropriations must be approved by the Board of Directors.
- All appropriations lapse at year end.

NOTE 3: CASH AND INVESTMENTS

At December 31, 2013, the Authority had the following cash and investments.

Deposits	\$ 4,600,391
Investments	<u>3,219,586</u>
Total	<u>\$ 7,819,977</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, 2013, the Authority had bank deposits of \$4,670,584 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, 2013

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, 2013, the Authority had \$3,219,586 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, 2013, was as follows:

	Balances 12/31/12	Additions	Deletions	Balances 12/31/13
Capital Assets, Not Being Depreciated				
Rights of Way	\$ 115,846	\$ 105,064	\$ -	\$ 220,910
Construction in Progress	1,198,057	283,476	-	1,481,533
Total Capital Assets	<u>\$ 1,313,903</u>	<u>\$ 388,540</u>	<u>\$ -</u>	<u>\$ 1,702,443</u>

JEFFERSON COUNTY EMERGENCY
COMMUNICATIONS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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, 2013, the Authority contributed \$9,956 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.

SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY EMERGENCY
COMMUNICATIONS AUTHORITY

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2013

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Emergency Telephone Charges	\$ 4,354,281	\$ 4,739,331	\$ 385,050
Miscellaneous	-	11,465	11,465
Investment Income	-	10,615	10,615
Broadband Technology Opportunities Grant	-	40,299	40,299
TOTAL REVENUES	4,354,281	4,801,710	447,429
EXPENSES			
Administrative	235,476	242,821	(7,345)
Agency Operating	1,500,000	773,597	726,403
Consultants	120,415	90,155	30,260
Disaster and Recovery Plan	12,926	3,245	9,681
Emergency Medical Dispatching	104,571	97,891	6,680
GIS System	283,201	279,014	4,187
Line Charges	429,557	561,314	(131,757)
Logging Systems	114,951	334,674	(219,723)
Master Street Address Guide Maintenance	46,800	69,675	(22,875)
Notification System	171,903	51,828	120,075
Phone System	68,846	451,843	(382,997)
Public Education	61,000	28,954	32,046
Programs	971,342	1,546,842	(575,500)
Recruiting	15,000	19,848	(4,848)
Special Projects	483,457	129,298	354,159
Training	210,000	134,700	75,300
Translation Services	15,000	10,799	4,201
TOTAL EXPENSES	4,844,445	4,826,498	17,947
CHANGE IN NET POSITION	(490,164)	(24,788)	465,376
NET POSITION, Beginning	9,393,169	9,697,406	304,237
NET POSITION, Ending	\$ 8,903,005	\$ 9,672,618	\$ 769,613

See the accompanying Independent Auditors' Report.