

**JEFFERSON COUNTY EMERGENCY  
COMMUNICATIONS AUTHORITY**

**FINANCIAL STATEMENTS**

**December 31, 2012**

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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, 2012, 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 auditors' judgement, 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, 2012, 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.



May 20, 2013

## **BASIC FINANCIAL STATEMENTS**

JEFFERSON COUNTY EMERGENCY  
COMMUNICATIONS AUTHORITY

STATEMENT OF NET POSITION

December 31, 2012

ASSETS	
Cash and Investments	\$ 8,061,587
Accounts Receivable	516,195
Grants Receivable	512,701
Capital Assets, Not Being Depreciated	<u>1,313,903</u>
TOTAL ASSETS	\$ <u>10,404,386</u>
LIABILITIES AND NET POSITION	
LIABILITIES	
Accounts Payable	\$ 678,942
Accrued Compensated Absences	<u>28,038</u>
TOTAL LIABILITIES	<u>706,980</u>
NET POSITION	
Net Investment in Capital Assets	1,313,903
Unrestricted	<u>8,383,503</u>
TOTAL NET POSITION	<u>9,697,406</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u>10,404,386</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 POSITION

Year Ended December 31, 2012

OPERATING REVENUES	
Emergency Telephone Charges	\$ 4,637,612
Miscellaneous	120
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TOTAL OPERATING REVENUES	4,637,732
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OPERATING EXPENSES	
Administrative	227,549
Agency Operating	891,797
Consultants	98,983
Disaster and Recovery Plan	19,481
Emergency Medical Dispatching	10,157
GIS System	138,144
Line Charges	409,534
Logging Systems	198,218
Notification System	183,216
Phone System	1,186,265
Public Education	36,856
Programs	1,173,894
Recruiting	9,595
Special Projects	932,110
Training	169,153
Translation Services	11,435
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TOTAL OPERATING EXPENSES	5,696,387
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NET OPERATING INCOME (LOSS)	(1,058,655)
NONOPERATING REVENUES	
Investment Income	15,124
	<hr/>
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(1,043,531)
CAPITAL CONTRIBUTIONS	
Broadband Technology Opportunities Grant	47,308
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CHANGE IN NET POSITION	(996,223)
NET POSITION, Beginning	10,693,629
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NET POSITION, Ending	\$ 9,697,406
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The accompanying notes are an integral part of the financial statements.

JEFFERSON COUNTY EMERGENCY  
COMMUNICATIONS AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended December 31, 2012

Increase (Decrease) in Cash and Cash Equivalents

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Emergency Telephone Charges	\$ 4,871,587
Cash Paid to Employees	(119,111)
Cash Payments to Suppliers	<u>(6,305,919)</u>
Net Cash Provided (Used) by Operating Activities	<u>(1,553,443)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	<u>(503,573)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Earnings Received	<u>20,836</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,036,180)
CASH AND CASH EQUIVALENTS, Beginning	<u>10,097,767</u>
CASH AND CASH EQUIVALENTS, Ending	\$ <u><u>8,061,587</u></u>
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Net Operating Income (Loss)	\$ (1,058,655)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Changes in Assets and Liabilities	
Accounts Receivable	233,855
Accounts Payable	(731,222)
Accrued Compensated Absences	<u>2,579</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>(1,553,443)</u></u>

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

JEFFERSON COUNTY EMERGENCY  
COMMUNICATIONS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**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 the intent of the governing body is that the 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, 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, 2012

**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.

*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, 2012, totaling \$1,876,247.

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 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, 2012

**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, 2012, the Authority had the following cash and investments.

Deposits	\$ 4,846,137
Investments	<u>3,215,450</u>
Total	<u><b>\$ 8,061,587</b></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, 2012, the Authority had bank deposits of \$4,878,942 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, 2012

**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, 2012, the Authority had \$3,215,450 invested in the Colorado Local Government Liquid Asset Trust (Colostrust), 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 Colostrust. Colostrust operates in conformity with the Securities and Exchange Commission's Rule 2a-7 as promulgated under the Investment Company Act of 1940, as amended. Colostrust is rated AAAM by Standard and Poor's. Investments of Colostrust 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, 2012, was as follows:

	Balances 12/31/11	Additions	Deletions	Balances 12/31/12
Capital Assets, Not Being Depreciated				
Rights of Way	\$ 21,367	\$ 94,479	\$ -	\$ 115,846
Construction in Progress	771,516	426,541	-	1,198,057
Total Capital Assets	<u>\$ 792,883</u>	<u>\$ 521,020</u>	<u>\$ -</u>	<u>\$ 1,313,903</u>

JEFFERSON COUNTY EMERGENCY  
COMMUNICATIONS AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

**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, 2012, the Authority contributed \$11,595 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, 2012

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
<b>REVENUES</b>			
Emergency Telephone Charges	\$ 4,816,922	\$ 4,637,612	\$ (179,310)
Miscellaneous	-	120	120
Investment Income	-	15,124	15,124
Broadband Technology Opportunities Grant	-	47,308	47,308
<b>TOTAL REVENUES</b>	<u>4,816,922</u>	<u>4,700,164</u>	<u>(116,758)</u>
<b>EXPENSES</b>			
Administrative	281,784	227,549	54,235
Agency Operating	1,690,805	891,797	799,008
Consultants	82,157	98,983	(16,826)
Disaster and Recovery Plan	346,550	19,481	327,069
Emergency Medical Dispatching	97,261	10,157	87,104
GIS System	289,827	138,144	151,683
Line Charges	563,523	409,534	153,989
Logging Systems	167,293	198,218	(30,925)
Master Street Address Guide Maintenance	66,191	-	66,191
Notification System	105,000	183,216	(78,216)
Phone System	1,141,000	1,186,265	(45,265)
Public Education	61,000	36,856	24,144
Programs	1,176,265	1,173,894	2,371
Recruiting	15,000	9,595	5,405
Special Projects	739,898	932,110	(192,212)
Training	185,000	169,153	15,847
Translation Services	15,000	11,435	3,565
<b>TOTAL EXPENSES</b>	<u>7,023,554</u>	<u>5,696,387</u>	<u>1,327,167</u>
<b>CHANGE IN NET POSITION</b>	<u>(2,206,632)</u>	<u>(996,223)</u>	<u>1,210,409</u>
<b>NET POSITION, Beginning</b>	<u>9,778,857</u>	<u>10,693,629</u>	<u>914,772</u>
<b>NET POSITION, Ending</b>	<u>\$ 7,572,225</u>	<u>\$ 9,697,406</u>	<u>\$ 2,125,181</u>

See the accompanying Independent Auditors' Report.