



Board of Directors
Douglas County Emergency
Telephone Service Authority
Castle Rock, Colorado

We have audited the financial statements of the Douglas County Emergency Telephone Service Authority (the Authority) as of and for the year ended December 31, 2016 and 2015, and have issued our report thereon dated November 5, 2019. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As communicated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements due to error or fraud may exist and not be detected by us, even though the audit is properly planned and performed. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or regulations that do not have a direct and material effect on the financial statements.

As part of our audit, we considered the Authority's internal control over financial reporting and compliance as a basis for designing our audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the internal control or on compliance.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

We applied certain limited procedures to the required supplementary information (RSI). However, we did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions the School entered into during the year for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the significant estimates in determining that they are reasonable in relation to the financial statements as a whole.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We proposed an adjustment to the financial statements as a result of our audit procedures. In our opinion, this adjustment was not material, either individually or in the aggregate, to each opinion unit's financial statements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Difficulties Encountered in Performing the Audit

We encountered no difficulties dealing with management during the audit process. We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves the application of an accounting principle to the School's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to contact us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.



Other Audit Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School's auditors. However, these discussions occurred in the normal course of our professional relationship and the responses were not a condition to our retention.

Conclusion

We would like to thank the Douglas County Emergency Telephone Service Authority Staff for their assistance during the audit process.

This report is intended solely for the information and use of the Board of Directors and management of the Douglas County Emergency Telephone Service Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Hick & Company, PC

Greenwood Village, Colorado
November 5, 2019



DCETSA
 Accounts Receivable - Journal Entries
 FYE: 12/31/15 & 12/31/16

FYE: 12/31/2015

PY		W/P Ref		
	Hardline Income		120,321	
	Wireless Income		320,856	
	VOIP Income		4,456	
	Net Position			445,633 01-02
	To Reverse prior year accounts receivable			

	Accounts Receivable	D-01	563,999	01-02
	Hardline Income			174,865
	Wireless Income			376,915
	VOIP Income			12,219
	To record current year accounts receivable			

FYE: 12/31/2016

PY	Hardline Income		174,865	
	Wireless Income		376,915	
	VOIP Income		12,219	
	Accounts Receivable			563,999 01-02
	To Reverse prior year accounts receivable			

	Accounts Receivable	D-02	554,849	01-02
	Hardline Income			108,914
	Wireless Income			419,027
	VOIP Income			26,908
	To record current year accounts receivable			

**Douglas County Emergency
Telephone Service Authority**

Financial Statements

December 31, 2016 and 2015



**Douglas County Emergency
Telephone Service Authority**

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December 31, 2016 and 2015

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Independent Auditors' Report

Board of Directors
Douglas County Emergency
Telephone Service Authority
Castle Rock, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Douglas County Emergency Telephone Service Authority as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Douglas County Emergency Telephone Service Authority, 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 opinions 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Douglas County Emergency Telephone Service Authority as of December 31, 2016 and 2015, and the respective changes in financial position and cash flows, where applicable, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management 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 the 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 the missing information.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hick & Company, PC

Greenwood Village, Colorado
November 5, 2019



Basic Financial Statements

**Douglas County Emergency
Telephone Service Authority**
Statement of Net Position
For the Years Ended December 31, 2016 and 2015

Assets	<u>2016</u>	<u>2015</u>
<i>Current Assets</i>		
Cash	\$ 13,970,878	\$ 14,325,767
Accounts Receivable	<u>554,849</u>	<u>563,999</u>
 Total Assets	 <u>\$ 14,525,727</u>	 <u>\$ 14,889,766</u>
 Liabilities and Net Position		
<i>Current Liabilities</i>		
Accounts Payable	\$ 1,109,806	\$ 74,450
Vendor Charges Payable	<u>11,165</u>	<u>11,165</u>
 Total Liabilities	 <u>1,120,971</u>	 <u>85,615</u>
 <i>Net Position</i>		
Unrestricted	<u>13,404,756</u>	<u>14,804,151</u>
 Total Net Position	 <u>13,404,756</u>	 <u>14,804,151</u>
 Total Liabilities and Net Position	 <u>\$ 14,525,727</u>	 <u>\$ 14,889,766</u>

**Douglas County Emergency
Telephone Service Authority**
Statement of Revenues, Expenditures and Changes in Net Position
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Emergency Telephone Charges	\$ 3,439,298	\$ 3,448,402
Miscellaneous	369	3,231
	<u>3,439,667</u>	<u>3,451,633</u>
Operating Expenses		
PSAP Telephone	755,722	838,506
Vendor Charges - Collection Fees	67,417	77,614
Conferences	78,907	49,427
Membership/Subscriptions	2,328	2,306
Mileage Reimbursement	754	1,543
Training	15,276	44,104
Personnel Back Fill	53,323	74,737
Call Boxes	18,233	1,967
Non-Capital Equipment (Equip for Other Agencies)	544,094	441,716
Radios	2,081,031	541,892
Insurance	34,229	-
Contract Services	502,269	406,915
Professional Fees	25,878	26,044
Public Education	18,515	24,081
Software Maintenance	644,638	415,136
Repairs & Maintenance	6,519	959
Office Supplies	2,321	4,346
Other Expenses	5,455	5,986
Banking Fees	-	20
	<u>4,856,909</u>	<u>2,957,299</u>
Net Operating Loss	(1,417,242)	494,334
Nonoperating Revenues		
Interest income	17,847	20,155
	<u>17,847</u>	<u>20,155</u>
Change in Net Position	(1,399,395)	514,489
Net Position, Beginning of year	14,804,151	14,289,662
	<u>14,804,151</u>	<u>14,289,662</u>
Net Position, End of year	\$ <u>13,404,756</u>	\$ <u>14,804,151</u>

**Douglas County Emergency
Telephone Service Authority**
Statement of Cash Flows
For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows From Operating Activities		
Cash Received from Emergency Telephone Charges	\$ 3,448,817	\$ 3,333,267
Cash Payments to Suppliers	<u>(3,821,553)</u>	<u>(2,940,824)</u>
Net Cash Used by Operating Activities	<u>(372,736)</u>	<u>392,443</u>
Cash Flows From Investing Activities		
Investment Earnings Received	<u>17,847</u>	<u>20,155</u>
Net Decrease in Cash	(354,889)	412,598
Cash, Beginning of year	<u>14,325,767</u>	<u>13,913,169</u>
Cash, End of year	<u>\$ 13,970,878</u>	<u>\$ 14,325,767</u>
Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities		
Net Operating Loss	\$ (1,417,242)	\$ 494,334
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities		
Changes in Assets and Liabilities		
Accounts Receivable	9,150	(118,366)
Accounts Payable	<u>1,035,356</u>	<u>16,475</u>
Net Cash Used by Operating Activities	<u>\$ (372,736)</u>	<u>\$ 392,443</u>

**Douglas County Emergency
Telephone Service Authority**
Notes to Financial Statements
December 31, 2016 and 2015

Note 1: Summary of Significant Accounting Policies

The Douglas County Emergency Telephone Service Authority (the Authority) is a Special Authority for Emergency Telephone Service created under the laws of Colorado to provide services for its residents. The Authority provides emergency telephone service in Douglas County and provides services to the city of Lone Tree, towns of Parker, Larkspur and Castle Rock Fire Protection District, the Highlands Ranch Metropolitan District, the Roxborough Park Metropolitan District, the South Metro Fire Protection Authority, the Franktown Fire Protection District, Jackson 105 Fire Protection District, West Douglas Fire Protection District, and the Douglas County Sheriff's office.

The purpose of the Authority is to provide for the purchase and maintenance of 911 telephone equipment. No provision is made for operations, as these are covered by other agencies. The Authority is operated by a Board of Directors consisting of persons appointed from the following agencies: four members comprised the Executive Board of the Douglas County Fire Chiefs Association, one member from each of the law enforcement agencies within the county, and one member from the county selected by the Board of County Commissioners.

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 has the potential to provide benefits to, or impose 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.

Douglas County Emergency Telephone Service Authority

Notes to Financial Statements
December 31, 2016 and 2015

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

(Continued)

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 a specific purpose, the Authority uses restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Net Position

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 – The Authority has no capital assets. The Authority transfers all new authority funded improvements to the Member Agencies.

Employee Benefits – The Authority has no employees, therefore, has no employee benefit obligations. The Authority reimburses the Member Agencies for their expenses relating to the Authorities operations.

Net Position – Net position is restricted when constraints placed on the use of resources are externally imposed.

Reserve for Future Capital Expenditures – The Authority has begun to set aside monies for major capital expenditures for replacing E911 equipment as needed and providing funds to implement NexGen 911 in accordance with the Public Utilities Commission requirements. The financial statements reflect \$5,000,000 of the Authority's Net Position reserved for this purpose.

**Douglas County Emergency
Telephone Service Authority**

Notes to Financial Statements
December 31, 2016 and 2015

Note 1: Summary of Significant Accounting Policies (Continued)

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.

Subsequent Events

We have evaluated subsequent events through November 5, 2019, the date the financial statements were available to be issued.

Note 2: Cash and Investments

Cash and investments at December 31, 2016 and 2015, consisted of the following:

	<u>2016</u>	<u>2015</u>
Deposits	\$ 10,776,351	\$ 11,137,622
Investments	<u>3,194,528</u>	<u>3,188,145</u>
Total	\$ <u>13,970,879</u>	\$ <u>14,325,767</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires 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 market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2016 and 2015, the Authority had bank deposits of \$13,920,673 and \$14,186,062, respectively, collateralized with securities held by the financial institution's agent but not in the Authority's name.

Note 3: Commitments and Contingencies

TABOR Amendment

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.

Required Supplementary Information

**Douglas County Emergency
Telephone Service Authority**
Budgetary Comparison Schedule
General Fund
December 31, 2016

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Emergency Telephone Charges	\$ 3,255,000	\$ 3,439,298	\$ 184,298
Miscellaneous	-	369	369
Interest Income	20,000	17,847	(2,153)
Total Revenues	<u>3,275,000</u>	<u>3,457,514</u>	<u>182,514</u>
Expenses			
PSAP Telephone	926,000	755,722	170,278
Vendor Charges - Collection Fees	-	67,417	(67,417)
Conferences	83,000	78,907	4,093
Membership/Subscriptions	2,200	2,328	(128)
Mileage Reimbursement	8,000	754	7,246
Training	69,000	15,276	53,724
Personnel Back Fill	50,000	53,323	(3,323)
Call Boxes	65,000	18,233	46,767
Non-Capital Equipment (Equip for Other Agencies)	1,070,000	544,094	525,906
Radios	330,000	2,081,031	(1,751,031)
Insurance	25,000	34,229	(9,229)
Contract Services	420,000	502,269	(82,269)
Professional Fees	150,000	25,878	124,122
Public Education	30,000	18,515	11,485
Software Maintenance	1,071,000	644,638	426,362
Repairs & Maintenance	50,000	6,519	43,481
Office Supplies	4,600	2,321	2,279
Other Expenses	-	5,455	(5,455)
Banking Fees	2,000	-	2,000
IDT Project - Maintenance	25,000	-	25,000
Service Contract	650,000	-	650,000
Capital Projects	3,849,550	-	3,849,550
Contingency Fund (5% total expenditures)	444,000	-	444,000
Total Expenses	<u>9,324,350</u>	<u>4,856,909</u>	<u>4,467,441</u>
Change in Net Position	<u>\$ (6,049,350)</u>	(1,399,395)	<u>\$ 4,649,955</u>
Net Position, Beginning of year		<u>14,804,151</u>	
Net Position, End of year		<u>\$ 13,404,756</u>	

(Continued)

**Douglas County Emergency
Telephone Service Authority**
Budgetary Comparison Schedule
General Fund
December 31, 2015
(Continued)

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Emergency Telephone Charges	\$ 3,230,000	\$ 3,448,402	\$ 218,402
Miscellaneous	-	3,231	3,231
Interest Income	35,000	20,155	(14,845)
Total Revenues	<u>3,265,000</u>	<u>3,471,788</u>	<u>206,788</u>
Expenses			
PSAP Telephone	1,072,000	838,506	233,494
Vendor Charges - Collection Fees	-	77,614	(77,614)
Conferences	75,000	49,427	25,573
Membership/Subscriptions	1,500	2,306	(806)
Mileage Reimbursement	6,000	1,543	4,457
Training	68,000	44,104	23,896
Personnel Back Fill	30,000	74,737	(44,737)
Call Boxes	65,000	1,967	63,033
Non-Capital Equipment (Equip for Other Agencies)	1,070,000	441,716	628,284
Radios	305,000	541,892	(236,892)
Insurance	18,000	-	18,000
Contract Services	400,000	406,915	(6,915)
Professional Fees	150,000	26,044	123,956
Public Education	30,000	24,081	5,919
Software Maintenance	1,035,000	415,136	619,864
Repairs & Maintenance	50,000	959	49,041
Office Supplies	3,600	4,346	(746)
Other Expenses	-	5,986	(5,986)
Banking Fees	2,000	20	1,980
Phase II Implementation	50,000	-	50,000
Service Contract	690,000	-	690,000
Capital Projects	1,721,060	-	1,721,060
Contingency Fund (5% total expenditures)	350,000	-	350,000
Total Expenses	<u>7,192,160</u>	<u>2,957,299</u>	<u>4,234,861</u>
Change in Net Position	<u>\$ (3,927,160)</u>	514,489	<u>\$ 4,441,649</u>
Net Position, Beginning of year		<u>14,289,662</u>	
Net Position, End of year		<u>\$ 14,804,151</u>	

**Douglas County Emergency
Telephone Service Authority**
Notes to Required Supplementary Information
December 31, 2016 and 2015

Note 1: Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

A budget is adopted for the Authority on a basis consistent with generally accepted accounting principles.

Management submits to the Board of Directors a proposed budget for the fiscal year commencing the following January 1, for their approval. The budget includes proposed expenditures and the means of financing them.

Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

All annual appropriations lapse at fiscal year-end.