

**EL PASO - TELLER COUNTY
9-1-1 AUTHORITY**

Management's Discussion and Analysis,

Financial Statements,

And Supplemental Information

For the Year Ended December 31, 2016

And

Independent Auditors' Report



RECEIVED

By the Office of the State Auditor at 7:31 am, Sep 08, 2017

EL PASO - TELLER COUNTY 9-1-1 AUTHORITY

TABLE OF CONTENTS

| | Page |
|--|-------------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 3 |
| FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 | |
| Balance Sheet | 7 |
| Statement of Activities and Changes in Net Position | 8 |
| Statement of Cash Flows | 9 |
| Notes to Financial Statements | 10 |
| SUPPLEMENTAL INFORMATION | |
| Schedule of Proportionate Share of the Net Pension Liability | 20 |
| Schedule of Pension Contributions and Related Ratios | 21 |
| Schedule of Revenues, Expenses and Changes in Net Position – Budget and Actual (Non – GAAP) | 22 |
| Notes to Supplemental Schedules | 23 |

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
El Paso - Teller County 9-1-1 Authority

We have audited the accompanying financial statements of El Paso - Teller County 9-1-1 Authority (the Authority) as of and for the year ended December 31, 2016, and the related notes to the financial statements, as listed in the table of contents, which collectively comprise the Authority's basic financial statements.

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 auditor's 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 entity's 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 entity's 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 El Paso - Teller County 9-1-1 Authority as of December 31, 2016, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6, the schedule of the Authority's proportionate share of net pension and liability and the schedule of the Authority's pension contributions and related ratios on pages 19 and 20 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 required supplemental 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.

Report on Other Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplemental schedule of revenues, expenses and changes in net position – budget and actual (non-GAAP) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental schedule as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Stockman Kast Ryan & Co., LLP

August 31, 2017

EL PASO - TELLER COUNTY 9-1-1 AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Authority's annual financial report presents the highlights of the Authority's financial activities and financial position. The analysis focuses on significant financial issues and major financial activity and the resulting changes in financial position.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of the following three parts: Management's Discussion and Analysis, Financial Statements and Supplemental Information. The Financial Statements include notes which explain in detail some of the information included in the financial statements.

REQUIRED FINANCIAL STATEMENTS

The financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private-sector business. The statement of net position presents information on all of the Authority's assets, deferred outflows, deferred inflows and liabilities, with the difference between these balances reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. The statement of activities and changes in net position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as an underlying event giving rise to the change occurs, regardless of the time of related cash flows. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 10 to 19 of this report.

FINANCIAL POSITION AND RESULTS FROM OPERATIONS

The Authority's balance sheet is summarized as follows:

| | 2016 | 2015 |
|--|-----------------------------|-----------------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | |
| CURRENT ASSETS | | |
| Cash | \$ 5,967,935 | \$ 8,460,997 |
| Accounts receivable | 1,071,839 | 994,735 |
| Prepaid expenses | <u>342,284</u> | <u>343,757</u> |
| Total current assets | 7,382,058 | 9,799,489 |
| CAPITAL ASSETS, NET | 7,348,330 | 8,856,494 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Related to pensions | <u>533,008</u> | <u>352,140</u> |
| TOTAL | <u>\$ 15,263,396</u> | <u>\$ 19,008,123</u> |

| | 2016 | 2015 |
|--|-----------------------------|-----------------------------|
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | | |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 562,941 | \$ 184,681 |
| Net pension liability | <u>2,552,443</u> | <u>1,760,614</u> |
| Total liabilities | <u>3,115,384</u> | <u>1,945,295</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Related to pensions | <u>7,381</u> | <u>32,309</u> |
| NET POSITION | | |
| Net investment in capital assets | 7,348,330 | 8,856,494 |
| Unrestricted board designated | 1,500,000 | 3,000,000 |
| Unrestricted | <u>3,292,301</u> | <u>5,174,025</u> |
| Total net position | <u>12,140,631</u> | <u>17,030,519</u> |
| TOTAL | <u>\$ 15,263,396</u> | <u>\$ 19,008,123</u> |

The Authority's current assets decreased by \$2,417,431 due in part to decreased cash as a result of expenses exceeding revenues in the current year.

The Authority's total capital assets decreased by \$1,508,164 as of December 31, 2016 largely due to depreciation on the Authority's assets. The Authority purchased capital assets in the amount of \$330,038 including capitalized software, next generation assets and equipment. In addition, the Authority had disposals of \$107,957 and incurred a loss on disposals of \$1,285. The Authority did not receive any capital contributions during 2016.

Current liabilities increased by \$378,260 due to timing of payments.

As noted, net position may, over time serve as a useful indicator of the Authority's financial position. Assets and deferred outflows exceeded liabilities and defined inflows by \$12,140,631 as of December 31, 2016.

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION

Operating and non-operating revenue and expenses were as follows:

| | 2016 | 2015 |
|--------------------------|------------------|------------------|
| OPERATING REVENUE | | |
| Telephone tariff: | | |
| Wireline | \$ 5,355,364 | \$ 5,205,998 |
| Wireless | <u>1,035,777</u> | <u>1,125,735</u> |
| Total operating revenue | <u>6,391,141</u> | <u>6,331,733</u> |

| | 2016 | 2015 |
|---|-----------------------------|----------------------|
| OPERATING EXPENSES | | |
| Administration | 5,003,336 | 3,672,764 |
| Depreciation expense | 1,733,245 | 1,884,856 |
| Personnel | 1,593,252 | 1,391,324 |
| License/maintenance | 1,481,769 | 1,496,845 |
| Communication services | 953,233 | 520,142 |
| PSAP expenses | 344,383 | 17,650 |
| Contracted services | <u>223,931</u> | <u>237,579</u> |
| Total operating expenses | <u>11,333,179</u> | <u>9,221,160</u> |
| OPERATING LOSS | <u>(4,942,038)</u> | <u>(2,889,427)</u> |
| NON-OPERATING REVENUE (EXPENSE) | | |
| Investment income | 32,672 | 11,935 |
| Other income | 20,763 | 26,192 |
| Loss on disposal of assets | <u>(1,285)</u> | <u>(53,538)</u> |
| Total non-operating revenue (expense) | <u>52,150</u> | <u>(15,411)</u> |
| Change in net position | <u>(4,889,888)</u> | <u>(2,904,838)</u> |
| NET POSITION, Beginning of year, as previously reported | 17,030,519 | 21,353,595 |
| Change in accounting principle – pension accounting (GASB 68) | <u> </u> | <u>1,418,238</u> |
| NET POSITION, Beginning of year, as restated | <u>17,030,519</u> | <u>19,935,357</u> |
| NET POSITION, End of year | <u>\$ 12,140,631</u> | <u>\$ 17,030,519</u> |

BUDGET VS ACTUAL

Revenue of \$6,444,576 was received which was \$74,716 more than the projected budget. Wireline tariff income continues to decline, however wireless and prepaid wireless income both increased in 2016. American households are opting to discontinue use of landline phones and go wireless only. The majority of all phone calls to 911 PSAPs are made from cell phones.

FUTURE PROJECTS

Wireless consumers are increasingly using text messaging as a means of everyday communication on a variety of platforms. The 911 system must also evolve to enable wireless consumers to reach 911 in an emergency situation where a voice call is not feasible or appropriate. In 2015, the El Paso Teller County 9-1-1 Authority implemented text-to-911 in both counties. The Authority continues to research Next Generation 911 (NG911) systems that will support not only text but a variety of other media and data to enhance the information available to first responders answering emergency calls for service.

2016 AUTHORITY BOARD MEMBERS

| | |
|---------------------------------|---|
| Mr. Michael Dalton, Chairperson | Represents the City of Colorado Springs |
| Mr. Dave Rose, Vice-Chairperson | Represents El Paso County |
| Mr. Pat Rigdon, Secretary | Represents the City of Colorado Springs |
| Mr. Bob McDonald, Treasurer | Represents El Paso County |
| Mr. Vince Niski | Represents the City of Colorado Springs |

2016 AUTHORITY BOARD MEMBERS (continued)

| | |
|-----------------------|---|
| Mr. Robert Weller | Represents small cities and special districts |
| Mr. John Gomes | Represents Teller County |
| Mr. Ron Reeves | Represents small cities and special districts |
| Mr. Christopher Truty | Represents small cities and special districts |

ADDITIONAL FINANCIAL INFORMATION

This financial report is designed to provide an overview of the El Paso - Teller County 9-1-1 Authority's finances for all interested parties. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the Authority at 2350 Airport Road, Colorado Springs, Colorado 80910.

EL PASO - TELLER COUNTY 9-1-1 AUTHORITY

BALANCE SHEET DECEMBER 31, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS

| | |
|---------------------------|----------------|
| Cash and cash equivalents | \$ 5,967,935 |
| Accounts receivable | 1,071,839 |
| Prepaid expenses | <u>342,284</u> |
| Total current assets | 7,382,058 |

CAPITAL ASSETS, NET

7,348,330

DEFERRED OUTFLOWS OF RESOURCES

| | |
|---------------------|----------------|
| Related to pensions | <u>533,008</u> |
|---------------------|----------------|

TOTAL

\$ 15,263,396

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

LIABILITIES

CURRENT LIABILITIES

| | |
|---------------------------------------|------------|
| Accounts payable and accrued expenses | \$ 562,941 |
|---------------------------------------|------------|

NET PENSION LIABILITY

2,552,443

Total liabilities

3,115,384

DEFERRED INFLOWS OF RESOURCES

| | |
|---------------------|--------------|
| Related to pensions | <u>7,381</u> |
|---------------------|--------------|

NET POSITION

| | |
|----------------------------------|-----------|
| Net investment in capital assets | 7,348,330 |
|----------------------------------|-----------|

| | |
|---|-----------|
| Unrestricted – Board designated (reserve) | 1,500,000 |
|---|-----------|

| | |
|--------------|------------------|
| Unrestricted | <u>3,292,301</u> |
|--------------|------------------|

Total net position

12,140,631

TOTAL

\$ 15,263,396

See notes to financial statements.

EL PASO - TELLER COUNTY 9-1-1 AUTHORITY

STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2016

OPERATING REVENUE

Telephone tariff:

| | |
|------------------|----------------|
| Wireless | \$ 1,035,777 |
| Wireline | 4,954,779 |
| Prepaid wireless | <u>400,585</u> |

Total operating revenue 6,391,141

OPERATING EXPENSES

| | |
|------------------------|----------------|
| Administration | 5,003,340 |
| Depreciation expense | 1,733,245 |
| Personnel | 1,593,252 |
| License/maintenance | 1,481,769 |
| Communication services | 953,233 |
| PSAP expenses | 344,409 |
| Contracted services | <u>223,931</u> |

Total operating expense 11,333,179

OPERATING LOSS (4,942,038)

NON-OPERATING REVENUE (EXPENSE)

| | |
|-----------------------------|----------------|
| Investment income | 32,672 |
| Other income | 20,763 |
| Loss on disposal of assets | <u>(1,285)</u> |
| Total non-operating revenue | <u>52,150</u> |

CHANGE IN NET POSITION (4,889,888)

NET POSITION, Beginning of year, 17,030,519

NET POSITION, End of year \$ 12,140,631

See notes to financial statements.

EL PASO - TELLER COUNTY 9-1-1 AUTHORITY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2016

| | |
|--|-----------------------|
| OPERATING ACTIVITIES | |
| Cash receipts from customers | \$ 6,314,037 |
| Cash payments for goods and services | (6,994,027) |
| Cash payments to employees for services | <u>(1,533,469)</u> |
| Net cash used in operating activities | <u>(2,213,459)</u> |
| CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Cash used in capital and related financing activities — | |
| Purchase of capital assets | <u>(333,038)</u> |
| NON-CAPITAL FINANCING ACTIVITIES | |
| Cash provided by non-capital financing activities — | |
| Other income | <u>20,763</u> |
| INVESTING ACTIVITIES | |
| Cash provided by investing activities — | |
| Interest income | <u>32,672</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (2,493,062) |
| CASH AND CASH EQUIVALENTS, Beginning of year | <u>8,460,997</u> |
| CASH AND CASH EQUIVALENTS, End of year | <u>\$ 5,967,935</u> |
| RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES: | |
| Operating loss | \$ (4,942,038) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | |
| Depreciation and amortization | 1,733,245 |
| Gifting of capital assets | 106,672 |
| Changes in operating assets and liabilities: | |
| Accounts receivable | (77,104) |
| Prepaid expenses | 1,473 |
| Accounts payable and accrued expenses | 378,260 |
| Pension liability and deferred inflows and outflows | <u>586,033</u> |
| Net cash used in operating activities | <u>\$ (2,213,459)</u> |

See notes to financial statements.

EL PASO - TELLER COUNTY 9-1-1 AUTHORITY

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity — El Paso - Teller County 9-1-1 Authority (the Authority) provides a primary means for the public safety agencies in times of emergency and supports the efficient and accurate provision of emergency services within El Paso and Teller County. The Authority was formed in 1990 under Article 11 of Title 29 of the Colorado State Statutes. The purpose was to establish a separate legal entity for the El Paso and Teller County governments to provide emergency telephone service. The governing board for the Authority consists of nine members appointed by various governments within the area. The Authority is authorized to collect \$0.70 per month per phone line within the service area for which emergency telephone service is provided. The funds collected shall be spent solely to pay for the equipment costs, installation costs and other costs directly related to the continued operation and total implementation of an emergency telephone service and emergency notification service.

For financial reporting purposes, the Authority includes all funds for which it is financially accountable. The Authority does not exercise any power over any other entity and is considered a sole reporting entity. The Authority has no component units as defined by the Governmental Accounting Standards Board (GASB).

Basis of Accounting — The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America, including all applicable statements of GASB. The financial statements have been prepared on the accrual basis of accounting using the economic resource measurement focus. An enterprise fund is used to account for operations that are financed and operated in a similar manner to a private business enterprise: (a) where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Net Position — The Authority's net position is classified in the following three components:

- **Net Investment in Capital Assets** — This component consists of capital assets, net of accumulated depreciation.
- **Restricted** — This component consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets are assets which have restrictions placed on the use of the assets through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- **Unrestricted** — This component consists of the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Budgets — In the fall, the Budget officer is required to submit to the Board of Directors a budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted by the Authority to obtain public comments on the budget. Prior to December 31, the budget is officially adopted by the Board. The Authority is authorized to transfer budgeted amounts between line items of the budget; however, any revisions that increase the total expenditures of the Authority must be approved by the Board of Directors.

Cash and Cash Equivalents — All short-term liquid investments are considered cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Capital Assets — Capital assets are recorded at cost and capitalized if over \$5,000 and have a useful life of one year or more and are depreciated using the straight-line method over estimated useful lives from three to 39 years.

Accounts Receivable — The Authority's accounts receivable consists primarily of amounts due from phone companies for emergency telephone service charges. Management has determined all receivables are considered collectible and no allowance for doubtful account is deemed necessary.

Operating Revenue and Expenses — Operating revenue and expenses are those that result from providing services and producing and delivering goods and services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events — The Authority has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the financial statements were available for issuance.

Adoption of Accounting Pronouncement — In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, *Fair Value Measurement and Application*. The objective of Statement No. 72 is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing addition fair value application guidance, and enhancing disclosures about fair value measurements. The Authority adopted the provisions of Statement No.72 during the year ended December 31, 2016. There were no restatements of reported values of the Authority's assets or liabilities resulting from the implementation of Statement No. 72. See Note 2 for the expanded disclosures regarding fair value measurements.

2. DEPOSITS

The Colorado Public Deposit Protection Act (PDPA) requires all units of local government to deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by PDPA. PDPA allows the financial institution to create a single collateral pool for 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, the Authority's deposits had a bank balance of \$3,467,422, of which \$250,000 was covered by federal depository insurance. The remainder of the bank balance of \$3,217,422 at December 31, 2016 was collateralized with securities held by the pledging financial institutions and covered by eligible collateral as determined by PDPA.

Colorado Government Liquid Asset Trust (COLOTRUST) is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes by state statutes. At December 31, 2016, the Authority had deposits with COLOTRUST of \$2,834,361. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1.00. Designated custodial banks provide safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal functions of COLOTRUST. All securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investment owned by COLOTRUST. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury notes.

Fair Value Measurements — The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest level to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest level to unobservable inputs (level 3) as follows:

Level 1: Unadjusted quoted prices for identical instruments in active markets.

Level 2: Observable inputs other than quoted market prices.

Level 3: Valuation derived from valuation techniques in which significant inputs are unobservable.

Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. COLOTRUST deposits are measured at NAV.

3. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 is as follows:

| | Balance at January 1, 2016 | Increase | Decrease | Balance at December 31, 2016 |
|---------------------------------|---|-----------------------|---------------------|---|
| Building and building additions | \$ 6,346,796 | | | \$ 6,346,796 |
| Next generation assets | 1,553,870 | | | 1,553,870 |
| Capitalized software | 2,042,806 | | | 2,042,806 |
| Equipment and vehicles | <u>7,669,922</u> | <u>\$ 333,038</u> | <u>\$ (322,440)</u> | <u>7,680,520</u> |
| Total | 17,613,394 | 333,038 | (322,440) | 17,623,992 |
| Less accumulated depreciation | <u>(8,756,900)</u> | <u>(1,733,245)</u> | <u>214,483</u> | <u>(10,275,662)</u> |
| Net capital assets | <u>\$ 8,856,494</u> | <u>\$ (1,400,207)</u> | <u>\$ (107,957)</u> | <u>\$ 7,348,330</u> |

4. 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 for which it carries commercial insurance. There have been no significant reductions in coverage from the prior year, and settlements have not exceeded coverage in the past six years.

5. DEFINED BENEFIT PENSION PLAN

The Authority contributes to the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Colorado Public Employees' Retirement Association PERA. In accordance with GASB 68, the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the Authority have been determined using the same basis as they are reported by LGDTF which uses the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Plan Description — The LGDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. All employees of the Authority are members of the LGDTF. PERA issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplemental information for the LGDTF. That report may be obtained online at www.copera.org, by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Benefits Provided — The LGDTF provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713 and 1714.

The lifetime retirement benefit for all eligible retiring employees under the LGDTF Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annualized into a monthly benefit based on life expectancy and other actuarial factors.

The service retirement benefit is limited to 100% of highest average salary and also cannot exceed the maximum benefit allowed by the Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether five years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA Benefit Structure who began eligible employment before January 1, 2007 receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the LGDTF benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve for the LGDTF Division.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions — Eligible employees and the Authority are required to contribute to the LGDTF Division at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8% of their PERA-includable salary.

The employer contribution requirements are summarized in the table below for the year ended December 31, 2016:

| | |
|--|-----------------------|
| Employer contribution rate ¹ | 10.00 % |
| Amount of employer contribution apportioned to the LGDTF HCTF as specified in C.R.S. § 24-51-208(1)(f) ¹ | <u>1.02</u> |
| Amount apportioned to the LGDTF | 8.98 |
| Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹ | 2.20 |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹ | <u>1.50</u> |
| Total employer contribution rate to the LGDTF division | <u><u>12.68</u></u> % |

¹ Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the LGDTF Division in the period in which the compensation becomes payable to the member and the Authority is statutorily committed to pay the contributions to the LGDTF Division. Employer contributions recognized by the LGDTF Division from the Authority were \$115,095 for the year ended December 31, 2016.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2016, the Authority reported a liability of \$2,552,443 for its proportionate share of the collective net pension liability. The net pension liability was measured as of December 31, 2016 and the total pension liability used to calculate the net pension liability was determined as of December 31, 2016 using standard roll-forward techniques based upon the December 31, 2015 actuarial valuation. The Authority's proportion of the net pension liability was based on the Authority's contributions to LGDTF Division for the calendar year 2016 relative to the total contributions of participating employers to the LGDTF Division. The Authority has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA.

At December 31, 2016, the Authority's proportion was .19% which was an increase of .03% from its proportion measured as of December 31, 2015.

For the year ended December 31, 2016, the Authority's recognized pension expense was \$586,033. At December 31, 2016, the Authority's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Difference between expected and actual experience | \$ 45,422 | |
| Net difference between projected and actual earnings on pension plan investments | 306,537 | |
| Changes in assumption or other inputs | <u>181,049</u> | <u>\$ 7,381</u> |
| Total | <u><u>\$ 533,008</u></u> | <u><u>\$ 7,381</u></u> |

Actuarial Assumptions — The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs:

| | |
|---|---|
| Price inflation | 2.40 % |
| Real wage growth | 1.10 % |
| Wage inflation | 3.50 % |
| Salary increases, including wage inflation | 3.50 – 10.45 % |
| Long-term investment rate of return, net of pension plan investment expenses, including price inflation | 7.25 % |
| Future post-retirement benefit increases; | |
| PERA Benefit Structure hired prior to January 1, 2007; and LGDTF Benefit Structure (automatic) | 2.00 % |
| PERA Benefit Structure hired after December 31, 2006 (ad hoc, substantively automatic) | Financed by the annual increase reserve |

Annual Increase Reserve — Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with males set back one year and females set back two years.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's board on November 13, 2012 and an economic assumptions study, adopted by PERA's board of November 15, 2013 and January 17, 2014.

The LGDTF Division's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent analysis of the long-term expected rate of return, presented to the PERA board on November 18, 2016, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| | Target Allocations | 30 Year Expected Geometric Real Rate of Return |
|-----------------------------------|---------------------------|---|
| U.S. Equity – Large Cap | 21.20% | 4.30% |
| U.S. Equity – Small Cap | 7.42 | 4.80 |
| Non U.S. Equity – Developed | 18.55 | 5.20 |
| Non U.S. Equity – Emerging | 5.83 | 5.40 |
| Core Fixed Income | 19.32 | 1.20 |
| High Yield | 1.38 | 4.30 |
| Non U.S. Fixed Income - Developed | 1.84 | 0.60 |
| Emerging Market Bonds | 0.46 | 3.90 |
| Core Real Estate | 8.50 | 4.90 |
| Opportunity Fund | 6.00 | 3.80 |
| Private Equity | 8.50 | 6.60 |
| Cash | <u>1.00</u> | 0.20 |
| Total | <u>100.00</u> % | |

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Discount Rate — The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law. Based on those assumptions, the LGDTF Division's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate — The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.25%) of one-percentage-point higher (8.25%) than the current rate:

| | 1% Decrease 6.25% | Current Discount Rate 7.25% | 1% Increase 8.25% |
|--|----------------------------------|--|----------------------------------|
| Proportionate share of the net pension liability | \$ 3,763,460 | \$ 2,552,443 | \$ 1,549,588 |

Pension Plan Fiduciary Net Position — Detailed information about the LGDTF Division's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

The Authority is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements for the Authority are established under Part 4, Title 24, Article 51 of the CRS, as amended. The contribution rate for members is 8%, and for the Authority it is 10% of covered salary. A portion of the Authority's contribution (1.02% of covered salary) is allocated to the Health Care Trust Fund (see Note 7). The Authority is also required to pay an amortization equalization disbursement (AED) equal to 2.20% of the total payroll for the calendar years 2016 and 2015. Additionally, the Authority is required to pay a supplemental amortization equalization disbursement (SAED) equal to 1.50% of the total payroll for the calendar years 2016 and 2015. If the Authority rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay the employer contribution rate, the AED and SAED on the amounts paid for the retiree; however, no member contributions are required. For the years ending December 31, 2016 and 2015 the employer contribution to the LGDTF was \$156,962 and \$130,552, equal to their required contributions for each year, respectively.

6. POST-RETIREMENT HEALTHCARE BENEFITS

Plan Description — The Authority contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the HCTF. That report may be obtained as described previously.

Funding Policy — The Authority is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Authority are established under Part 4, Title 24, Article 51 of the CRS, as amended. The apportionment of the contribution to the HCTF from the defined benefit plan employer contribution (see Note 5) is established under Title 24, Article 51, Section 208 of the CRS, as amended. For the year ending December 31, 2016 and 2015 the Authority's employer contribution to the HCTF was \$31,200 and \$26,900 equal to their required contributions for each year, respectively.

7. DEFINED CONTRIBUTION PENSION PLAN

Plan Description — Employees of the Authority who are members of the LGDTF (see Note 6) may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from others made to PERA. Part 14, Title 24, Article 51 of the CRS, as amended, assigns the Authority to establish the 401(k) Plan provisions to the State Legislature. PERA issues a publicly available annual report for Colorado PERA's 401(k) and Defined Contribution Plans. That report may be obtained online at www.copera.org, by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203, or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Funding Policy — The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$18,000 for the years 2016 and 2015). In addition, catch-up contributions, up to \$6,000 for the years 2016 and 2015 were allowed for participants who had attained age 50 before the close of the plan year, subject to the limitations of IRC §414(v). The contributions requirements for the Authority are established under Title 24, Article 51, Section 1402 of the CRS, as amended.

8. AMENDMENT TO COLORADO CONSTITUTION

In November 1992, the voters of Colorado approved Amendment I, commonly known as the Taxpayer Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax spending, revenue and debt limitation that apply to the State of Colorado and all local governments. The Authority's financial activity for 1992 provides the basis for calculation of future limitations adjusted for allowable increases tied to inflation and local growth.

TABOR excludes enterprise governments from its provisions. Enterprise governments, defined as governmental-owned businesses that are authorized to issue revenue bonds and receive less than 10% of their annual revenue in grants from all state and local governments combined are excluded from the provisions of TABOR. The Authority is of the opinion that the enterprise operations qualify for the exclusion. The amendment is complex and subject to judicial interpretation. The Authority believes it is in compliance with the requirements of the amendment.

9. USE OF FUNDS

The Authority believes it has complied with current CRS regarding use of funds associated with revenue resulting from emergency telephone service charges. The excess funds collected will be used for future funding of the transition to NG 911, capital outlays set forth in the Authority's five year capital expenditure plan, maintaining Authority operations, maintenance and Authority and PSAP staffing.

**EL PASO - TELLER COUNTY
9-1-1 AUTHORITY**

SUPPLEMENTAL SCHEDULES

AND

NOTES TO SUPPLEMENTAL SCHEDULE

EL PASO - TELLER COUNTY 9-1-1 AUTHORITY

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY FOR THE YEARS ENDED DECEMBER 31,

| | 2016 | 2015 | 2014 |
|---|--------------|--------------|--------------|
| Authority's proportion of the net pension liability | .19% | 0.16% | 0.17% |
| Authority's proportionate share of the net pension liability | \$ 2,552,443 | \$ 1,760,614 | \$ 1,499,241 |
| Authority's covered-employee payroll | \$ 1,145,711 | \$ 907,688 | \$ 916,553 |
| Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 222.78% | 193.97% | 163.57% |
| Authority's plan fiduciary net position as a percentage of the total pension liability | 73.6% | 76.90 % | 80.70% |

Note: Information is not available prior to 2014. In future reports, additional years will be added until 10 years of historical data are presented.

EL PASO - TELLER COUNTY 9-1-1 AUTHORITY

SCHEDULE OF PENSON CONTRIBUTIONS AND RELATED RATIOS FOR THE YEARS ENDED DECEMBER 31,

| | 2016 | 2015 | 2014 |
|---|---------------------|-------------------|-------------------|
| Contractually required contribution | \$ 145,276 | \$ 115,095 | \$ 116,219 |
| Contributions in relation to the contractually required contribution | <u>145,276</u> | <u>115,095</u> | <u>116,219</u> |
| Contribution deficiency (excess) | <u>\$ —</u> | <u>\$ —</u> | <u>\$ —</u> |
| Authority covered-employee payroll | <u>\$ 1,145,711</u> | <u>\$ 907,688</u> | <u>\$ 916,553</u> |
| Contributions as a percentage of covered-employee payroll | 12.68% | 12.68% | 12.68% |

Note: Information is not available prior to 2014. In future reports, additional years will be added until 10 years of historical data are presented.

EL PASO - TELLER COUNTY 9-1-1 AUTHORITY

SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION — BUDGET AND ACTUAL (NON-GAAP) FOR THE YEAR ENDED DECEMBER 31, 2016

| | Original and Final Budgeted Amounts | Actual | Variance Favorable (Unfavorable) |
|--|---|----------------------|--|
| Beginning net position | \$ 10,032,622 | \$ 17,030,519 | \$ 6,997,897 |
| Revenue | | | |
| Wireline tariff | 1,190,000 | 1,035,777 | (154,223) |
| Wireless tariff | 4,800,000 | 4,954,779 | 154,779 |
| Prepaid wireless | 375,000 | 400,585 | 25,585 |
| Interest income | 9,500 | 32,672 | 23,172 |
| Miscellaneous income (expense) | 15,000 | 20,763 | 5,763 |
| Total revenue | 6,389,500 | 6,444,576 | 55,076 |
| Expense (including capital asset expenditures) | | | |
| Personnel | 1,677,815 | 1,593,252 | 84,563 |
| Administration | 10,009,964 | 5,003,340 | 5,006,598 |
| Contracted professional services | 384,000 | 223,931 | 160,069 |
| Communications | 769,368 | 953,233 | (183,865) |
| Licenses and maintenance contracts | 1,633,883 | 1,481,769 | 152,114 |
| PSAP expenses: | | | |
| Colorado Springs | 21,250 | 18,788 | 2,462 |
| Cripple Creek | 223,594 | 46,907 | 176,687 |
| Fountain | 386,210 | 150,252 | 235,958 |
| Woodland Park | 2,250 | 3,809 | (1,559) |
| El Paso County | 239,947 | 82,673 | 157,274 |
| Teller County | 55,720 | 12,134 | 43,586 |
| Peterson Air Force Base | | | |
| Fort Carson | 250,500 | 29,846 | 220,654 |
| Stratmoor Hills | | | |
| Capital outlay | | 333,038 | (333,038) |
| Total expense | 15,654,501 | 9,932,972 | 5,721,503 |
| Increase (decrease) in net assets | (9,265,001) | (3,488,396) | 5,776,579 |
| Ending fund balance | \$ 767,621 | 13,542,123 | \$ 12,774,476 |
| RECONCILIATION OF REVENUE AND EXPENSES - GAAP BASIS | | | |
| Depreciation | | (1,733,245) | |
| Loss on disposal of assets | | (1,285) | |
| Capital asset outlay | | 333,037 | |
| Deficiency of revenue over expenditures | | (1,401,493) | |
| Ending net position | | \$ 12,140,630 | |

EL PASO - TELLER COUNTY 9-1-1 AUTHORITY

NOTES TO SUPPLEMENTAL SCHEDULES

1. BUDGET AND BUDGETARY ACCOUNTING

Procedures followed by the Authority in establishing its budget:

1. Prior to October 15, the Authority mandatorily submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means for financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to December 31, the budget is legally enacted through a Board resolution.
4. The Authority is authorized to transfer budgeting amounts between line items.
5. The budget for the Authority is adopted on a basis that is not consistent with accounting principles generally accepted in the United States of America (GAAP). As permitted by Colorado Local Government Budget law, the budget for the Authority is prepared on a cash basis.
6. All annual appropriations lapse at year-end.

2. SCHEDULE OF BUDGET AND ACTUAL (NON-GAAP BASIS)

The schedule of budget and actual (non-GAAP basis) is presented on a basis of accounting other than accounting principles generally accepted in the United States of America. As permitted by Colorado government Budget law, the budget for the Authority is prepared on a cash basis rather than accrual (GAAP) basis. The budget is prepared including capital expenditures and principal payments on expense for GAAP purposes but is not treated as an expense (or expenditure) for budgetary purposes and, for budgetary purposes, the Authority treats the ending cash balance as being available for budgetary purposes rather than the entire accrual basis fund balance as being available. We did a reconciliation from the non-GAAP basis to the GAAP basis at the bottom of page 22.