

**Boulder Regional Emergency
Telephone Service Authority**

**Financial Statements
with Independent Auditors' Report**

December 31, 2017

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Business Advisors

**Boulder Regional Emergency
Telephone Service Authority**

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**HINKLE &
COMPANY**
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Business Advisors

Independent Auditors' Report

Board of Directors
Boulder Regional Emergency Telephone Service Authority
Boulder, Colorado

We have audited the accompanying financial statements of the Boulder Regional Emergency Telephone Service Authority as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Boulder Regional Emergency Telephone Service 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Boulder Regional Emergency Telephone Service Authority as of December 31, 2017 and 2016, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Boulder Regional Emergency Telephone Service 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 Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Boulder Regional Emergency Telephone Service 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 audits 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.

Hick & Company, PC

Greenwood Village, Colorado
June 20, 2018



Basic Financial Statements

Boulder Regional Emergency Telephone Service Authority

Statement of Net Position

December 31, 2017

	<u>2017</u>	<u>2016</u>
Assets		
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 2,612,530	\$ 2,132,095
Investments	3,388,744	4,397,657
Accounts Receivable	615,026	615,264
Prepaid Expenses	<u>450,515</u>	<u>420,278</u>
Total Current Assets	<u>7,066,815</u>	<u>7,565,294</u>
<i>Noncurrent Assets</i>		
Equipment, <i>Net of Accumulated Depreciation</i>	<u>4,151,677</u>	<u>4,537,506</u>
Total Assets	<u>\$ 11,218,492</u>	<u>\$ 12,102,800</u>
Liabilities		
<i>Current Liabilities</i>		
Accounts Payable	<u>\$ 258,242</u>	<u>\$ 467,966</u>
Net Position		
Net Investment in Capital Assets	4,151,677	4,537,506
Unrestricted	<u>6,808,573</u>	<u>7,097,328</u>
Total Net Position	<u>10,960,250</u>	<u>11,634,834</u>
Total Liabilities and Net Position	<u>\$ 11,218,492</u>	<u>\$ 12,102,800</u>

Boulder Regional Emergency Telephone Service Authority
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2017

	2017	2016
Operating Revenues		
Emergency Telephone Charges	\$ 3,644,798	\$ 3,665,894
Operating Expenses		
General Operating	579,166	539,536
Professional Services	131,937	145,644
System Maintenance and Support	1,758,853	1,712,895
Network Maintenance and Support	166,174	169,657
Software	276,095	167,733
Equipment Replacement	17,835	122,667
Depreciation	951,146	854,417
Total Operating Expenses	3,881,206	3,712,549
Net Operating Loss	(236,408)	(46,655)
Nonoperating Revenues (Expenses)		
Investment Income	39,790	16,416
Loss on Disposal of Capital Assets	(477,966)	-
Total Nonoperating Revenues (Expenses)	(438,176)	16,416
Change in Net Position	(674,584)	(30,239)
Net Position, Beginning of year	11,634,834	11,665,073
Net Position, End of year	\$ 10,960,250	\$ 11,634,834

Boulder Regional Emergency Telephone Service Authority

Statement of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Year Ended December 31, 2017

	2017	2016
Cash Flows from Operating Activities		
Cash Received from Emergency Telephone Charges	\$ 3,645,036	\$ 3,649,834
Cash Payments to Suppliers	(2,953,954)	(2,752,086)
Net Cash Provided (Used) by Operating Activities	691,082	897,748
Cash Flows from Capital and Related Financing Activities		
Purchases of Equipment	(1,259,350)	(51,634)
Cash Flows from Investing Activities		
Investment Income Received	39,790	16,416
Sales (Purchases) of Investments, Net	1,008,913	(399,979)
Net Cash Provided (Used) by Investing Activities	1,048,703	(383,563)
Net Increase in Cash and Cash Equivalents	480,435	462,551
Cash and Cash Equivalents, <i>Beginning of year</i>	2,132,095	1,669,544
Cash and Cash Equivalents, <i>End of year</i>	\$ 2,612,530	\$ 2,132,095
Reconciliation of Net Operating Loss to Net Cash Provided (Used) by Operating Activities		
Net Operating Loss	\$ (236,408)	\$ (46,655)
Adjustments to Reconcile Net Operating Loss to Net Cash Provided (Used) by Operating Activities		
Depreciation	951,146	854,417
Changes in Assets and Liabilities		
Accounts Receivable	238	(16,060)
Prepaid Expenses	(30,237)	(29,589)
Accounts Payable	6,343	135,635
Total Adjustments	927,490	944,403
Net Cash Provided (Used) by Operating Activities	\$ 691,082	\$ 897,748

Boulder Regional Emergency Telephone Service Authority

Notes to Financial Statements
December 31, 2017

Note 1: Summary of Significant Accounting Policies

The Boulder Regional Emergency Telephone Service Authority (the Authority) was formed in October, 1987. The Authority provides emergency telephone service in Boulder County financed by a surcharge assessed on all telephones in the County.

The Authority follows accounting policies that conform to generally accepted accounting principles 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. Following is a summary of the more significant policies.

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 there is a potential for the organization 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.

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 a liability is incurred, regardless of the timing of related cash flows.

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 use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

**Boulder Regional Emergency
Telephone Service Authority**

Notes to Financial Statements

December 31, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position

Cash Equivalents - Cash equivalents include investments with original maturities of three months or less.

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 - Payments to vendors for services that will benefit subsequent years are reported as prepaid expenses.

Capital Assets - Capital assets consist primarily of computer and communication equipment necessary to operate the emergency telephone system. Capital assets are defined by the Authority as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation.

Capital assets are depreciated using the straight-line method over the estimated useful lives of 5 to 10 years.

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.

**Boulder Regional Emergency
Telephone Service Authority**

Notes to Financial Statements
December 31, 2017

Note 2: Stewardship, Compliance and Accountability

Budgets

The Authority follows these procedures to establish the budgetary information reflected in the financial statements:

- An annual budget and appropriation resolution is adopted by the Board of Directors in accordance with State statutes. Expenditures may not legally exceed appropriations. Revisions that alter the total appropriations must be approved by the Board of Directors.
- The budget for the Authority is adopted on a non-GAAP budgetary basis. Capital outlay is budgeted as an expenditure and depreciation is not budgeted.
- All appropriations lapse at year end.

Note 3: Cash and Investments

The Authority had the following cash and investments at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Deposits	\$ 349,265	\$ 617,532
Investments	<u>5,652,009</u>	<u>5,912,220</u>
Total	<u>\$ 6,001,274</u>	<u>\$ 6,529,752</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 market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2017 and 2016, the Authority had bank deposits of \$156,133 and \$458,160, respectively, collateralized with securities held by the financial institution's agent but not in the Authority's name.

Boulder Regional Emergency Telephone Service Authority

Notes to Financial Statements
December 31, 2017

Note 3: Cash and Investments (Continued)

Investments

The Authority is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

The Authority had the following investments at December 31, 2017 and 2016:

Investment Type	Investment Maturities (in years)		2017
	Less than 1	1 – 5 Years	Total
Money Market Fund	\$ 2,263,265	\$ —	\$ 2,263,265
U.S. Treasury Securities	<u>3,388,744</u>	<u>—</u>	<u>3,388,744</u>
Total	<u>\$ 5,652,009</u>	<u>\$ —</u>	<u>\$ 5,652,009</u>
	Investment Maturities (in years)		2016
	Less than 1	1 – 5 Years	Total
Money Market Fund	\$ 1,514,563	\$ —	\$ 1,514,563
U.S. Treasury Securities	<u>3,402,540</u>	<u>995,117</u>	<u>4,397,657</u>
Total	<u>\$ 4,917,103</u>	<u>\$ 995,117</u>	<u>\$ 5,912,220</u>

Interest Rate Risk - State statutes limit investments in U.S. Treasury securities 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 in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with the Securities and Exchange Commission's Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by one or more nationally recognized statistical rating organizations (NRSRO). At December 31, 2017 and 2016, the Authority's investment in the Wells Fargo Money Market Fund was not rated.

Boulder Regional Emergency Telephone Service Authority

Notes to Financial Statements
December 31, 2017

Note 3: Cash and Investments (Continued)

Investments (Continued)

Concentration of Credit Risk - State statutes do not limit the amount the Authority may invest in a single issuer, except for corporate securities.

Fair Value Measurements - The Authority reports its investments using the fair value measurements established by generally accepted accounting principles. As such, a fair value hierarchy categorizes the inputs used to measure the fair value of the investments into three levels. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs include quoted prices in active markets for similar investments, or other observable inputs; and Level 3 inputs are unobservable inputs. At December 31, 2017 and 2016, the Authority's investments in U.S. Treasury securities were measured utilizing quoted prices in active markets for similar investments (Level 2 inputs). The Wells Fargo Money Market Fund was reported at the net asset value per share.

Note 4: Capital Assets

Capital asset activity for the years ended December 31, 2017 and 2016, was as follows:

	Balances 12/31/16	Additions	Deletions	Balances 12/31/17
Capital Assets, Being Depreciated				
Equipment	\$ 7,954,440	\$ 1,043,283	\$ 968,044	\$ 8,029,679
Accumulated Depreciation	<u>(3,416,934)</u>	<u>(951,146)</u>	<u>(490,078)</u>	<u>(3,878,002)</u>
Total Capital Assets, Net	<u>\$ 4,537,506</u>	<u>\$ 92,137</u>	<u>\$ 477,966</u>	<u>\$ 4,151,677</u>
	Balances 12/31/15	Additions	Deletions	Balances 12/31/16
Capital Assets, Being Depreciated				
Equipment	\$ 7,926,521	\$ 267,701	\$ 239,782	\$ 7,954,440
Accumulated Depreciation	<u>(2,802,299)</u>	<u>(854,417)</u>	<u>(239,782)</u>	<u>(3,416,934)</u>
Total Capital Assets, Net	<u>\$ 5,124,222</u>	<u>\$ (586,716)</u>	<u>\$ —</u>	<u>\$ 4,537,506</u>

Note 5: 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.

**Boulder Regional Emergency
Telephone Service Authority**

Notes to Financial Statements
December 31, 2017

Note 6: Concentration of Risk

The Authority operates solely in Boulder County, Colorado, and its only significant source of revenue is a surcharge on telephones in that geographic region. A reduction in this revenue could significantly impact the Authority's activities.

Supplementary Information

Boulder Regional Emergency Telephone Service Authority
 Budgetary Comparison Schedule
 Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Emergency Telephone Charges	\$ 3,803,262	\$ 3,613,445	\$ 3,644,798	\$ 31,353
Investment Income	36,000	69,484	39,790	(29,694)
Total Revenues	<u>3,839,262</u>	<u>3,682,929</u>	<u>3,684,588</u>	<u>1,659</u>
Expenditures				
General Operating	625,155	615,194	579,166	36,028
Professional Services	146,858	143,105	131,937	11,168
System Maintenance and Support	1,962,691	1,776,610	1,758,853	17,757
Network Maintenance and Support	160,071	141,714	166,174	(24,460)
Software	195,156	330,547	276,095	54,452
Equipment Replacement	132,000	1,472,766	1,061,118	411,648
Total Expenditures	<u>3,221,931</u>	<u>4,479,936</u>	<u>3,973,343</u>	<u>506,593</u>
Change in Net Position, Budgetary Basis	<u>\$ 617,331</u>	<u>\$ (797,007)</u>	(288,755)	<u>\$ 508,252</u>
Adjustments to GAAP Basis				
Capital Outlay			1,043,283	
Depreciation Expense			(951,146)	
Loss on Disposal of Capital Assets			<u>(477,966)</u>	
Change in Net Position, GAAP Basis			<u>\$ (674,584)</u>	

Boulder Regional Emergency Telephone Service Authority
 Budgetary Comparison Schedule
 Year Ended December 31, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Emergency Telephone Charges	\$ 3,569,493	\$ 3,728,689	\$ 3,665,894	\$ (62,795)
Investment Income	30,000	36,000	16,416	(19,584)
Total Revenues	<u>3,599,493</u>	<u>3,764,689</u>	<u>3,682,310</u>	<u>(82,379)</u>
Expenditures				
General Operating	622,794	580,601	539,536	41,065
Professional Services	158,697	142,581	145,644	(3,063)
System Maintenance and Support	1,912,680	1,830,185	1,712,895	117,290
Network Maintenance and Support	119,818	159,020	169,657	(10,637)
Software	204,071	277,390	167,733	109,657
Equipment Replacement	396,000	1,536,000	390,368	1,145,632
Total Expenditures	<u>3,414,060</u>	<u>4,525,777</u>	<u>3,125,833</u>	<u>1,399,944</u>
Change in Net Position, Budgetary Basis	<u>\$ 185,433</u>	<u>\$ (761,088)</u>	556,477	<u>\$ 1,317,565</u>
Adjustments to GAAP Basis				
Capital Outlay			267,701	
Depreciation Expense			<u>(854,417)</u>	
Change in Net Position, GAAP Basis			<u>\$ (30,239)</u>	