

**EMERGENCY TELEPHONE SERVICE AUTHORITY (911)
FREMONT COUNTY, COLORADO**

BASIC FINANCIAL STATEMENTS

December 31, 2017

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Office of the State Auditor

August 27 , 2018

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
Emergency Telephone Service Authority (911)
Cañon City, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Emergency Telephone Service Authority (911) ("Authority"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the 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.

Auditor's Responsibility

Our responsibility is to express opinions 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Emergency Telephone Service Authority (911), as of December 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has not presented the management's discussion and analysis that governmental 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 is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The individual fund schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The 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 individual fund schedule is fairly stated in all material respects in relation to the financial statements as a whole.

John Cutler & Associates, LLC

August 27, 2018

BASIC FINANCIAL STATEMENTS

EMERGENCY TELEPHONE SERVICE AUTHORITY (911)

STATEMENT OF NET POSITION

As of December 31, 2017

	<u>BUSINESS-TYPE ACTIVITIES</u>
ASSETS	
Cash and Investments	\$ 616,587
Accounts Receivable	61,898
Prepaid Expenses	<u>32,603</u>
TOTAL ASSETS	<u>711,088</u>
LIABILITIES	
Accounts Payable	<u>9,729</u>
TOTAL LIABILITIES	<u>9,729</u>
NET POSITION	
Unrestricted	<u>701,359</u>
TOTAL NET POSITION	<u><u>\$ 701,359</u></u>

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

EMERGENCY TELEPHONE SERVICE AUTHORITY (911)

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended December 31, 2017

	BUSINESS-TYPE ACTIVITIES
OPERATING REVENUES	
Telephone User Fees	\$ 437,261
TOTAL OPERATING REVENUES	<u>437,261</u>
OPERATING EXPENSES	
Telecommunication Charges	60,658
Contract Mapping	21,675
GIS Expense	63,241
PSAP Centers	1,180
Office Expenses	32,677
Capital Expenses	122,520
Software	156,163
Loan reimbursement	50,000
TOTAL OPERATING EXPENSES	<u>508,114</u>
OPERATING INCOME (LOSS)	<u>(70,853)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	6,388
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>6,388</u>
NET INCOME (LOSS)	(64,465)
NET POSITION Beginning	<u>765,824</u>
NET POSITION, Ending	<u><u>\$ 701,359</u></u>

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

EMERGENCY TELEPHONE SERVICE AUTHORITY (911)

STATEMENT OF CASH FLOWS

Year Ended December 31, 2017

	BUSINESS-TYPE ACTIVITIES
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received From Customers	\$ 356,021
Cash Paid to Vendors and Grantees	<u>(465,782)</u>
Net Cash Used by Operating Activities	<u>(109,761)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	<u>6,388</u>
Net Cash Provided by Investing Activities	<u>6,388</u>
NET DECREASE IN CASH AND INVESTMENTS	(103,373)
CASH AND INVESTMENTS, Beginning	<u>719,960</u>
CASH AND INVESTMENTS, Ending	<u><u>\$ 616,587</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	<u>\$ (70,853)</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities	
Changes in Assets and Liabilities	
Accounts Receivable	(81,240)
Prepaid Expenses	32,603
Accounts Payable	<u>9,729</u>
Total Adjustments	<u>(38,908)</u>
Net Cash Used by Operating Activities	<u><u>\$ (109,761)</u></u>

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

EMERGENCY TELEPHONE SERVICE AUTHORITY (911)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Emergency Telephone Service Authority (911) (the “Authority”) was formed in 1989 in order to provide and administer emergency (911) telephone service to Cañon City, Florence, and other communities within Fremont County, Colorado. The Authority is governed by a five-member Board of Directors.

The accounting policies of the Emergency Telephone Service Authority (the “Authority”) conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial principles. The following is a summary of the significant policies

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The proprietary fund type is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the Statement of Net Position.

The Authority uses the accrual basis of accounting, where revenues are recognized when they are earned and measurable, and expenses are recognized in the period incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Authority are Telephone User Fees. All revenues not meeting this definition are reported as non-operating revenues and expenses.

Cash and Investments

For the purposes of the Statement of Cash Flows, the Authority’s cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are recorded at fair value.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

EMERGENCY TELEPHONE SERVICE AUTHORITY (911)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs and equipment that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property and equipment of the Authority is depreciated using the straight line method over the following estimated useful lives:

Telephone Equipment	10 years
Office Equipment	3 - 10 years
Computers	5 years

Net Position

The government-wide financial statements, utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets includes the Authority's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The Authority typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

Unrestricted Net Position typically includes unrestricted liquid assets. The Board has the authority to revisit or alter this designation.

EMERGENCY TELEPHONE SERVICE AUTHORITY (911)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

- In November, Treasurer submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain public comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- Any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- Budgets are legally adopted for all funds of the Authority on a basis consistent with generally accepted accounting principles (GAAP).
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board of Directors. All appropriations lapse at year end.

Legal Compliance

The Authority has established a capitalization threshold of \$10,000 which exceeds the amount set forth in the State Fiscal Rules related to capitalization of assets. This may be a violation of state statute. However, the Authority disposed of all of its capital assets during the year December 31, 2014 and no longer owns any assets that would qualify for capitalization.

NOTE 3: DEPOSITS AND INVESTMENTS

A summary of cash and investments as of December 31, 2017 follows:

Deposits	\$ 238,554
Investments	<u>378,033</u>
Total	<u>\$ 616,587</u>

EMERGENCY TELEPHONE SERVICE AUTHORITY (911)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 3: DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk -Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At December 31, 2017, State regulatory commissioners have indicated that all financial institutions holding deposits for the Authority are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. 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 the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The Authority has no policy regarding custodial credit risk for deposits.

At December 31, 2017, the Authority had deposits and certificates of deposit with financial institutions with a carrying amount of \$238,554. The bank balances with the financial institutions were \$217,698. The full balance was covered by federal depository insurance.

Investments

Interest Rate Risk

The Authority has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments the units of local government may invest which includes:

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

EMERGENCY TELEPHONE SERVICE AUTHORITY (911)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The above investments are authorized for all funds and fund types used by Colorado municipalities.

Fair Value

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. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District does not have any investments requiring categorization.

Local Government Investment Pools

At December 31, 2017, the District had invested \$378,033 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAm by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

ColoTrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

NOTE 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; injuries to employees; and natural disasters. The Authority maintains insurance through Fremont County for these risks of loss. Settled claims have not exceeded coverage in the last three years.

EMERGENCY TELEPHONE SERVICE AUTHORITY (911)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 5: COMMITMENTS AND CONTINGENCIES

Combined Regional Communications Authority (CRCA)

In September 2013, the Authority entered into an Intergovernmental Agreement with the cities of Canon City and Florence, the Fremont County Sheriff's Office, and the Canon City Area Fire District to establish the Combined Regional Communications Authority ("CRCA"). The purpose of the CRCA is to combine emergency services to ensure a more effective and efficient delivery of emergency services to citizens of Fremont County, Colorado. All parties to this intergovernmental agreement are responsible for their proportionate share of the directing, financing, and utilizing the consolidated emergency services.

Under the terms of the agreement, the Authority is responsible for providing funding for capital equipment needs of the CRCA.

Fremont County Regional GIS Authority (GIS Authority)

In 1999, the Fremont County Regional GIS Authority ("GIS Authority") was established through an intergovernmental agreement by Fremont County and the Fremont Sanitation District for the purpose of creating a geographic information system (GIS) to promote the public health, safety, and welfare of the citizens of the region. In 2002, the intergovernmental agreement was amended to authorize the Authority to be included as a member of the GIS Authority. The Authority's financial commitment to the GIS Authority is established annual through the GIS Authority's budget. For the year ended December 31, 2017, the Authority paid \$63,241 to the GIS Authority under the terms of the agreement.

Hosted VIPER Service

During the year ended December 31, 2014, the Authority entered into an agreement with a third party to monitor, direct, diagnose, and correct the Authority's data and voice network incidents remotely via telephone, desktop collaboration, internet and/or VPN. Under the terms of the agreement, the Authority is responsible for making monthly payments in the amount of \$9,360 for six stations and \$850 for circuits. The agreement expires in May 2019. For the year ended December 31, 2017, the Authority paid \$122,520 to the third party provider under the terms of the agreement.

Tabor

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 government. The Amendment is complex and subject to judicial interpretation. The Authority believes it is in compliance with the requirements of the Amendment.

EMERGENCY TELEPHONE SERVICE AUTHORITY (911)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2017

NOTE 6: RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Authority has made transactions with two of its board members to provide accounting and mapping services to the Authority. For the year ended December 31, 2017, the amounts paid for accounting and mapping services was \$9,600 and \$21,600, respectively and there were no outstanding balances owed to these members as of December 31, 2017.

NOTE 7: SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through the date which the financial statements were issued. There were no material subsequent events that required recognition or additional disclosure.

INDIVIDUAL FUND SCHEDULE

EMERGENCY TELEPHONE SERVICE AUTHORITY (911)

BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
User Fees			
Land Line	\$ 33,228	\$ 32,880	\$ (348)
VOIP	77,298	85,041	7,743
Wireless	290,527	319,340	28,813
Interest Income	6,531	6,388	(143)
TOTAL REVENUES	<u>407,584</u>	<u>443,649</u>	<u>36,065</u>
EXPENSES			
Office Supplies/PO Rent	135	44	91
Equipment	122,520	122,520	-
Computer Hardware & Software	3,100	1,269	1,831
Qwest Service Charges	16,870	16,768	102
Emergency Notification Fees	45,385	39,769	5,616
Telephone	4,010	4,121	(111)
Contract Mapping Service	21,600	21,675	(75)
Convention Expense	9,130	9,129	1
Dues & Subscriptions	2,016	1,991	25
Repairs & Maintenance	175	175	-
GIS Expense	63,241	63,241	-
Insurance	5,511	5,511	-
Accounting Services	9,600	9,600	-
Board Member Fees	4,425	4,275	150
PSAP Centers	-	1,180	(1,180)
Text-911	8,125	-	8,125
Training	3,088	306	2,782
Pro Q&A Med+Fire	156,163	156,163	-
FRECOM Loan Reimbursement	50,000	50,000	-
Miscellaneous	855	377	478
TOTAL EXPENSES	<u>525,949</u>	<u>508,114</u>	<u>17,835</u>
NET INCOME, GAAP Basis	(118,365)	(64,465)	53,900
NET POSITION, Beginning	<u>766,294</u>	<u>765,824</u>	<u>(470)</u>
NET POSITION, Ending	<u>\$ 647,929</u>	<u>\$ 701,359</u>	<u>\$ 53,430</u>

Please see the independent auditors' report.