

**Douglas County Emergency
Telephone Service Authority**

Financial Statements
with Independent Auditor's Report

December 31, 2019 and 2018



**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

**Douglas County Emergency
Telephone Service Authority**

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December 31, 2019 and 2018

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**HINKLE &
COMPANY**
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Business Advisors

Independent Auditor's Report

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

We have audited the accompanying financial statements of the Douglas County Emergency Telephone Service Authority (the Authority) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Authority, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of December 31, 2019 and 2018, and the respective changes in financial position and cash flows, where applicable, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hick & Company, PC

Englewood, Colorado
June 30, 2022



Basic Financial Statements

**Douglas County Emergency
Telephone Service Authority**
Statement of Net Position
For the Year Ended December 31, 2019 and 2018

	2019	2018
Assets		
<i>Current Assets</i>		
Cash	\$ 9,404,835	\$ 9,710,583
Accounts Receivable	546,067	657,802
Total Assets	\$ 9,950,902	\$ 10,368,385
Liabilities and Net Position		
<i>Current Liabilities</i>		
Accounts Payable	\$ 1,189,439	\$ 469,300
Vendor Charges Payable	-	13,156
Total Liabilities	1,189,439	482,456
<i>Net Position</i>		
Unrestricted	8,761,463	9,885,929
Total Net Position	8,761,463	9,885,929
Total Liabilities and Net Position	\$ 9,950,902	\$ 10,368,385

Douglas County Emergency Telephone Service Authority

Statement of Revenues, Expenditures and Changes in Net Position For the Year Ended December 31, 2019 and 2018

	2019	2018
Operating Revenues		
Emergency Telephone Charges	\$ 3,731,291	\$ 4,325,536
Total Operating Revenues	3,731,291	4,325,536
Operating Expenses		
PSAP Telephone	1,088,944	1,882,075
Vendor Charges - Collection Fees	-	13,156
Conferences	93,559	98,683
Membership/Subscriptions	7,918	17,795
Mileage Reimbursement	1,886	1,252
Training	73,750	74,787
Personnel Back Fill	53,026	51,471
Call Boxes	30,824	4,030
Non-Capital Equipment (Equip for Other Agencies)	569,411	679,009
Radios	1,827,375	2,616,426
Insurance	-	15,811
Contract Services	465,190	678,917
Professional Fees	53,375	84,205
Software Maintenance	669,990	662,557
Public Education	23,918	29,936
Office Supplies	3,390	2,920
Other Expenses	6,330	6,096
Banking Fees	10	6,311
Total Operating Expenses	4,968,896	6,925,437
Net Operating Loss	(1,237,605)	(2,599,901)
Nonoperating Revenues		
Interest income	113,139	114,312
Change in Net Position	(1,124,466)	(2,485,589)
Net Position, Beginning of year	9,885,929	12,371,518
Net Position, End of year	\$ 8,761,463	\$ 9,885,929

**Douglas County Emergency
Telephone Service Authority**
Statement of Cash Flows
For the Year Ended December 31, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities		
Cash Received from Emergency Telephone Charges	\$ 3,843,026	\$ 4,299,141
Cash Payments to Suppliers	<u>(4,261,913)</u>	<u>(7,249,424)</u>
Net Cash Used by Operating Activities	<u>(418,887)</u>	<u>(2,950,283)</u>
Cash Flows From Investing Activities		
Investment Earnings Received	<u>113,139</u>	<u>114,312</u>
Net Decrease in Cash	(305,748)	(2,835,971)
Cash, Beginning of year	<u>9,710,583</u>	<u>12,546,554</u>
Cash, End of year	<u>\$ 9,404,835</u>	<u>\$ 9,710,583</u>
 Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities		
Net Operating Loss	\$ (1,237,605)	\$ (2,599,901)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities		
Changes in Assets and Liabilities		
Accounts Receivable	111,735	(26,395)
Accounts Payable	<u>706,983</u>	<u>(323,987)</u>
Net Cash Used by Operating Activities	<u>\$ (418,887)</u>	<u>\$ (2,950,283)</u>

Douglas County Emergency Telephone Service Authority

Notes to Financial Statements
December 31, 2019 and 2018

Note 1: Summary of Significant Accounting Policies

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

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

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Reporting Entity

The financial reporting entity consists of the Authority, organizations for which the Authority is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the Authority. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Authority. Legally separate organizations for which the Authority is financially accountable are considered part of the reporting entity. Financial accountability exists if the Authority appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization has the potential to provide benefits to, or impose financial burdens on, the Authority.

Based on the application of this criteria, the Authority does not include additional organizations in its reporting entity.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority uses an enterprise fund to account for its operations. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where a fee is charged to external users for goods or services.

Douglas County Emergency Telephone Service Authority

Notes to Financial Statements
December 31, 2019 and 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

(Continued)

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for a specific purpose, the Authority uses restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Net Position

Accounts Receivable - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses.

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

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

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

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

**Douglas County Emergency
Telephone Service Authority**
Notes to Financial Statements
December 31, 2019 and 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority maintains commercial insurance for these risks of loss.

Subsequent Events

We have evaluated subsequent events through June 30, 2022, the date the financial statements were available to be issued.

Note 2: Cash and Investments

Cash and investments at December 31, 2019 and 2018, consisted of the following:

	<u>2019</u>	<u>2018</u>
Deposits	\$ 9,404,835	\$ 9,710,583
Total	\$ <u>9,404,835</u>	\$ <u>9,710,583</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2019 and 2018, the Authority had bank deposits of \$9,406,578 and \$10,054,009, respectively, collateralized with securities held by the financial institution's agent but not in the Authority's name.

Note 3: Commitments and Contingencies

TABOR Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Authority's management believes it is exempt from the provisions of the Amendment. However, the Amendment is complex and subject to interpretation. Many of its provisions may require judicial interpretation.

Required Supplementary Information

Douglas County Emergency Telephone Service Authority

Budgetary Comparison Schedule

General Fund

December 31, 2019

	Original and Final Budget	Actual	Variance <i>Positive</i> <i>(Negative)</i>
Revenues			
Emergency Telephone Charges	\$ 3,580,000	\$ 3,731,291	\$ 151,291
Interest Income	11,500	113,139	101,639
Total Revenues	3,591,500	3,844,430	252,930
Expenses			
PSAP Telephone	655,000	1,088,944	(433,944)
Conferences	108,000	93,559	14,441
Membership/Subscriptions	2,200	7,918	(5,718)
Mileage Reimbursement	1,500	1,886	(386)
Training	89,500	73,750	15,750
Personnel Back Fill	80,000	53,026	26,974
Call Boxes	34,500	30,824	3,676
Non-Capital Equipment (Equip for Other Agencies)	1,230,000	569,411	660,589
Radios	464,000	1,827,375	(1,363,375)
Insurance	20,000	-	20,000
Contract Services	505,000	465,190	39,810
Professional Fees	120,000	53,375	66,625
Software Maintenance	1,062,000	669,990	392,010
Public Education	80,000	23,918	56,082
Office Supplies	4,600	3,390	1,210
Other Expenses	-	6,330	(6,330)
Banking Fees	200	10	190
Service Contract	650,000	-	650,000
Capital Projects	2,134,000	-	2,134,000
Contingency Fund (5% total expenditures)	362,025	-	362,025
Total Expenses	7,602,525	4,968,896	2,633,629
Change in Net Position	\$ (4,011,025)	(1,124,466)	\$ (2,886,559)
Net Position, Beginning of year		9,885,929	
Net Position, End of year		\$ 8,761,463	

(Continued)

**Douglas County Emergency
Telephone Service Authority**
Budgetary Comparison Schedule
General Fund
December 31, 2018
(Continued)

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Emergency Telephone Charges	\$ 3,585,000	\$ 4,325,536	\$ 740,536
Interest Income	11,500	114,312	102,812
Total Revenues	3,596,500	4,439,848	843,348
Expenses			
PSAP Telephone	940,000	1,882,075	(942,075)
Vendor Charges - Collection Fees	-	13,156	(13,156)
Conferences	108,000	98,683	9,317
Membership/Subscriptions	2,200	17,795	(15,595)
Mileage Reimbursement	1,500	1,252	248
Training	89,500	74,787	14,713
Personnel Back Fill	50,000	51,471	(1,471)
Call Boxes	53,000	4,030	48,970
Non-Capital Equipment (Equip for Other Agencies)	970,000	679,009	290,991
Radios	394,000	2,616,426	(2,222,426)
Insurance	20,000	15,811	4,189
Contract Services	500,000	678,917	(178,917)
Professional Fees	120,000	84,205	35,795
Software Maintenance	955,000	662,557	292,443
Repairs & Maintenance	25,000	-	25,000
Public Education	80,000	29,936	50,064
Office Supplies	4,600	2,920	1,680
Other Expenses	-	6,096	(6,096)
Banking Fees	200	6,311	(6,111)
IDT Project - Maintenance	50,000	-	50,000
Service Contract	555,000	-	555,000
Capital Projects	3,937,000	-	3,937,000
Contingency Fund (5% total expenditures)	419,500	-	419,500
Total Expenses	9,274,500	6,925,437	2,349,063
Change in Net Position	\$ (5,678,000)	(2,485,589)	\$ 3,192,411
Net Position, Beginning of year		12,371,518	
Net Position, End of year		\$ 9,885,929	

**Douglas County Emergency
Telephone Service Authority**
Notes to Financial Statements
December 31, 2019 and 2018

Note 1: Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

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

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

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

All annual appropriations lapse at fiscal year-end.