

**Douglas County Emergency
Telephone Service Authority**

Financial Statements

December 31, 2020 and 2019



**Douglas County Emergency
Telephone Service Authority**

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December 31, 2020 and 2019

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**HINKLE &
COMPANY**
Strategic ^{PC}
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, 2020 and 2019, 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, 2020 and 2019, 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
December 29, 2022



Basic Financial Statements

Douglas County Emergency Telephone Service Authority
Telephone Service Authority
Statement of Net Position
For the Year Ended December 31, 2020 and 2019

	2020	2019
Assets		
<i>Current Assets</i>		
Cash	\$ 6,959,719	\$ 9,404,835
Accounts Receivable	646,788	546,067
 Total Assets	 \$ 7,606,507	 \$ 9,950,902
 Liabilities and Net Position		
<i>Current Liabilities</i>		
Accounts Payable	\$ 301,327	\$ 1,189,439
 Total Liabilities	 301,327	 1,189,439
 <i>Net Position</i>		
Unrestricted	7,305,180	8,761,463
 Total Net Position	 7,305,180	 8,761,463
 Total Liabilities and Net Position	 \$ 7,606,507	 \$ 9,950,902

Douglas County Emergency Telephone Service Authority

Statement of Revenues, Expenditures and Changes in Net Position
For the Year Ended December 31, 2020 and 2019

	2020	2019
Operating Revenues		
Emergency Telephone Charges	\$ 3,860,856	\$ 3,731,291
Total Operating Revenues	3,860,856	3,731,291
Operating Expenses		
PSAP Telephone	1,592,790	1,099,609
Conferences	1,092	93,559
Membership/Subscriptions	3,464	7,918
Mileage Reimbursement	888	1,886
Training	40,597	73,750
Personnel Back Fill	8,154	53,026
Call Boxes	38,933	36,831
Non-Capital Equipment (Equip for Other Agencies)	1,105,079	569,411
Radios	1,315,497	1,827,375
Insurance	16,027	-
Contract Services	426,823	460,118
Professional Fees	43,718	53,375
Miscellaneous	9,192	15,255
Software Maintenance	722,558	649,142
Public Education	10,142	23,918
Office Supplies	2,687	3,390
Other Expenses	345	323
Banking Fees	-	10
Total Operating Expenses	5,337,986	4,968,896
Net Operating Loss	(1,477,130)	(1,237,605)
Nonoperating Revenues		
Interest income	20,847	113,139
Change in Net Position	(1,456,283)	(1,124,466)
Net Position, Beginning of Year	8,761,463	9,885,929
Net Position, End of Year	\$ 7,305,180	\$ 8,761,463

See Notes to the Financial Statements.

**Douglas County Emergency
Telephone Service Authority**
Statement of Cash Flows
For the Year Ended December 31, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Cash Received from Emergency Telephone Charges	\$ 3,760,135	\$ 3,843,026
Cash Payments to Suppliers	<u>(6,226,098)</u>	<u>(4,261,913)</u>
Net Cash Used by Operating Activities	<u>(2,465,963)</u>	<u>(418,887)</u>
Cash Flows From Investing Activities		
Investment Earnings Received	<u>20,847</u>	<u>113,139</u>
Net Decrease in Cash	(2,445,116)	(305,748)
Cash, Beginning of Year	<u>9,404,835</u>	<u>9,710,583</u>
Cash, End of Year	<u>\$ 6,959,719</u>	<u>\$ 9,404,835</u>
Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities		
Net Operating Loss	\$ (1,477,130)	\$ (1,237,605)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities		
Changes in Assets and Liabilities		
Accounts Receivable	(100,721)	111,735
Accounts Payable	<u>(888,112)</u>	<u>706,983</u>
Net Cash Used by Operating Activities	<u>\$ (2,465,963)</u>	<u>\$ (418,887)</u>

Douglas County Emergency Telephone Service Authority

Notes to Financial Statements
December 31, 2020 and 2019

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, 2020 and 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

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

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

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

Assets, Liabilities and Net Position

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

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

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

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

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

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

**Douglas County Emergency
Telephone Service Authority**

Notes to Financial Statements
December 31, 2020 and 2019

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 December 29, 2022, the date the financial statements were available to be issued.

Note 2: Cash and Investments

Cash and investments at December 31, 2020 and 2019, consisted of the following:

Deposits	2020	2019
	\$ 8,203,920	\$ 9,404,835
Total	<u>\$ 8,203,920</u>	<u>\$ 9,404,835</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, 2020 and 2019, the Authority had bank deposits of \$7,953,312 and \$9,404,835, 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, 2020

	Original and Final Budget	Actual	Variance <i>Positive</i> <i>(Negative)</i>
Revenues			
Emergency Telephone Charges	\$ 3,697,339	\$ 3,860,856	\$ 163,517
Interest Income	118,000	20,847	(97,153)
Total Revenues	3,815,339	3,881,703	66,364
Expenses			
PSAP Telephone	998,605	1,592,790	(594,185)
Conferences	111,000	1,092	109,908
Membership/Subscriptions	3,500	3,464	36
Mileage Reimbursement	2,000	888	1,112
Training	120,000	40,597	79,403
Personnel Back Fill	60,000	8,154	51,846
Call Boxes	34,600	38,933	(4,333)
Non-Capital Equipment (Equip for Other Agencies)	605,000	1,105,079	(500,079)
Radios	419,000	1,315,497	(896,497)
Insurance	22,000	16,027	5,973
Contract Services	470,000	426,823	43,177
Professional Fees	90,000	43,718	46,282
Miscellaneous	-	9,192	(9,192)
Software Maintenance	543,000	722,558	(179,558)
Public Education	80,000	10,142	69,858
Office Supplies	5,000	2,687	2,313
Other Expenses	470	345	125
Banking Fees	200	-	200
Service Contract	475,000	-	475,000
Capital Projects	3,710,249	-	3,710,249
Contingency Fund (5% total expenditures)	387,480	-	387,480
Total Expenses	8,137,104	5,337,986	2,799,118
Change in Net Position	\$ (4,321,765)	(1,456,283)	\$ 2,865,482
Net Position, Beginning of Year		8,761,463	
Net Position, End of Year		\$ 7,305,180	

(Continued)

**Douglas County Emergency
Telephone Service Authority**
Budgetary Comparison Schedule
General Fund
December 31, 2019
(Continued)

	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	<u>3,591,500</u>	<u>3,844,430</u>	<u>252,930</u>
Expenses			
PSAP Telephone	655,000	1,099,609	(444,609)
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	36,831	(2,331)
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	460,118	44,882
Professional Fees	120,000	53,375	66,625
Miscellaneous	-	15,255	(15,255)
Software Maintenance	1,062,000	649,142	412,858
Repairs & Maintenance	80,000	-	80,000
Public Education	4,600	23,918	(19,318)
Office Supplies	-	3,390	(3,390)
Other Expenses	-	323	(323)
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	<u>7,602,525</u>	<u>4,968,896</u>	<u>2,633,629</u>
Change in Net Position	<u>\$ (4,011,025)</u>	(1,124,466)	<u>\$ 2,886,559</u>
Net Position, Beginning of Year		<u>9,885,929</u>	
Net Position, End of Year		<u>\$ 8,761,463</u>	

**Douglas County Emergency
Telephone Service Authority**
Notes to Required Supplementary Information
December 31, 2020 and 2019

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.