

**COLORADO COUNTIES, INC.
AND RELATED ENTITIES
COMBINING FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Colorado Counties, Inc.
Denver, Colorado

We have audited the accompanying combining financial statements of Colorado Counties, Inc. and affiliates (the Organization), which comprise the combining statement of financial position as of December 31, 2016, and the related combining statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combining 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 these combining financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these combining 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 combining financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combining financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combining 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 combining 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 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 combining 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 combining financial statements referred to above present fairly, in all material respects, the individual and combined financial positions of Colorado Counties, Inc. and affiliates as of December 31, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Johnson Kightlinger & Company

JOHNSON KIGHTLINGER & COMPANY
April 18, 2017

**COLORADO COUNTIES, INC.
COMBINING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016**

	<u>Colorado Counties</u>	<u>CCI Foundation</u>	<u>CCI Public Lands</u>	<u>Eliminations</u>	<u>Combined Total</u>
<u>ASSETS</u>					
CURRENT ASSETS					
Cash and cash equivalents	\$ 363,970	\$ 98,748	\$ 47,669	\$ -	\$ 510,387
Investments (Note 6)	1,399,278	-	-	-	1,399,278
Accounts receivable	-	33,812	-	-	33,812
Interest receivable	3,794	-	-	-	3,794
Interorganizational receivables (Note 7)	4,907	-	-	(4,907)	-
Other current assets	31,073	7,035	-	-	38,108
Total current assets	<u>1,803,022</u>	<u>139,595</u>	<u>47,669</u>	<u>(4,907)</u>	<u>1,985,379</u>
PROPERTY AND EQUIPMENT, net (Note 2)	1,079,604	-	-	-	1,079,604
TOTAL ASSETS	<u>\$ 2,882,626</u>	<u>\$ 139,595</u>	<u>\$ 47,669</u>	<u>\$ (4,907)</u>	<u>\$ 3,064,983</u>
<u>LIABILITIES AND NET ASSETS</u>					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	\$ 11,208	\$ 1,874	\$ -	\$ -	\$ 13,082
Accrued payroll liabilities	55,180	-	-	-	55,180
Interorganizational payables (Note 7)	-	4,907	-	(4,907)	-
Deferred revenue	-	3,900	-	-	3,900
Total current liabilities	<u>66,388</u>	<u>10,681</u>	<u>-</u>	<u>(4,907)</u>	<u>72,162</u>
TOTAL LIABILITIES	<u>66,388</u>	<u>10,681</u>	<u>-</u>	<u>(4,907)</u>	<u>72,162</u>
COMMITMENTS (Note 3)					
NET ASSETS					
Unrestricted	2,816,238	128,914	47,669	-	2,992,821
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,882,626</u>	<u>\$ 139,595</u>	<u>\$ 47,669</u>	<u>\$ (4,907)</u>	<u>\$ 3,064,983</u>

**COLORADO COUNTIES, INC.
COMBINING STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Colorado Counties</u>	<u>CCI Foundation</u>	<u>CCI Public Lands</u>	<u>Eliminations</u>	<u>Combined Total</u>
REVENUE AND SUPPORT					
Dues and assessments	\$ 1,198,500	\$ 68,083	\$ 82,687	\$ -	\$ 1,349,270
Conference registration fees	-	316,198	-	-	316,198
Investments income	15,233	-	9	-	15,242
Public lands administration	24,000	-	-	(24,000)	-
Marketing services income	52,356	-	-	-	52,356
Management fee income	101,000	-	-	(101,000)	-
Miscellaneous income	442	-	-	-	442
Total revenue and support	1,391,531	384,281	82,696	(125,000)	1,733,508
EXPENSES					
Program services	801,905	324,411	53,468	(125,000)	1,054,784
General and administrative	535,529	-	-	-	535,529
Total expenses	1,337,434	324,411	53,468	(125,000)	1,590,313
CHANGE IN NET ASSETS	54,097	59,870	29,228	-	143,195
NET ASSETS, BEGINNING OF YEAR	2,762,141	69,044	18,441	-	2,849,626
NET ASSETS, END OF YEAR	\$ 2,816,238	\$ 128,914	\$ 47,669	\$ -	\$ 2,992,821

**COLORADO COUNTIES, INC.
COMBINING SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Program Services</u>			<u>Total</u>	<u>General and Administrative (Colorado Counties)</u>	<u>Elimi- nations</u>	<u>Combined Total</u>
	<u>Colorado Counties</u>	<u>CCI Foundation</u>	<u>CCI Public Lands</u>				
Personnel Services							
Payroll and related expense	\$ 463,165	\$ -	\$ -	\$ 463,165	\$ 395,561	\$ -	\$ 858,726
Administration/management fees (Note 7)	-	101,000	24,000	125,000	-	(125,000)	-
Contract labor	130,176	-	-	130,176	-	-	130,176
Total personnel services	<u>593,341</u>	<u>101,000</u>	<u>24,000</u>	<u>718,341</u>	<u>395,561</u>	<u>(125,000)</u>	<u>988,902</u>
Office Expenses							
Occupancy	44,315	7,637	-	51,952	24,927	-	76,879
Professional fees	3,022	4,602	-	7,624	30,560	-	38,184
Information services	8,114	1,401	-	9,515	4,564	-	14,079
Telephone	7,166	-	-	7,166	4,031	-	11,197
Office expense	14,258	540	240	15,038	8,019	-	23,057
Postage	2,078	-	-	2,078	1,169	-	3,247
Books and publications	2,343	7,498	-	9,841	-	-	9,841
Total office expenses	<u>81,296</u>	<u>21,678</u>	<u>240</u>	<u>103,214</u>	<u>73,270</u>	<u>-</u>	<u>176,484</u>
Other Expenses							
Conferences	-	200,563	-	200,563	-	-	200,563
Insurance	-	1,170	-	1,170	27,249	-	28,419
Registrations, dues and education	15,478	-	9,051	24,529	156	-	24,685
Automobile expense	117	-	-	117	39	-	156
Travel and meals	67,930	-	20,167	88,097	5,113	-	93,210
Other	8,490	-	10	8,500	4,776	-	13,276
Taxes on unrelated business income	-	-	-	-	9,535	-	9,535
Depreciation	35,253	-	-	35,253	19,830	-	55,083
Total other expenses	<u>127,268</u>	<u>201,733</u>	<u>29,228</u>	<u>358,229</u>	<u>66,698</u>	<u>-</u>	<u>424,927</u>
Total expenses	<u>\$ 801,905</u>	<u>\$ 324,411</u>	<u>\$ 53,468</u>	<u>\$ 1,179,784</u>	<u>\$ 535,529</u>	<u>\$ (125,000)</u>	<u>\$ 1,590,313</u>

**COLORADO COUNTIES, INC.
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Colorado Counties</u>	<u>CCI Foundation</u>	<u>CCI Public Lands</u>	<u>Eliminations</u>	<u>Combined Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in net assets	\$ 54,097	\$ 59,870	\$ 29,228	\$ -	\$ 143,195
Adjustments to reconcile change in net assets to net cash provided by operating activities:					
Depreciation	55,083	-	-	-	55,083
Realized and unrealized loss on investments	(2,614)	-	-	-	(2,614)
Changes in operating assets and liabilities:					
Receivables	(1,589)	1,804	-	-	215
Prepays and other	(15,048)	(3,366)	-	-	(18,414)
Accounts payable and accrued liabilities	2,422	116	-	-	2,538
Deferred revenue	(13,500)	(4,183)	-	-	(17,683)
Income tax payable	701	-	-	-	701
Due from related parties	4,220	-	-	-	4,220
Due to related parties	-	(4,218)	-	-	(4,218)
Net cash from operating activities	<u>83,772</u>	<u>50,023</u>	<u>29,228</u>	<u>-</u>	<u>163,023</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisitions of property and equipment	(8,808)	-	-	-	(8,808)
Change in investments, net	(98,409)	-	-	-	(98,409)
Net cash from investing activities	<u>(107,217)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(107,217)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	<u>(23,445)</u>	<u>50,023</u>	<u>29,228</u>	<u>-</u>	<u>55,806</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>387,415</u>	<u>48,725</u>	<u>18,441</u>	<u>-</u>	<u>454,581</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 363,970</u>	<u>\$ 98,748</u>	<u>\$ 47,669</u>	<u>\$ -</u>	<u>\$ 510,387</u>
SUPPLEMENTAL DISCLOSURES					
Cash paid for income taxes	<u>\$ 9,535</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,535</u>

April 18, 2017

**COLORADO COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The combining financial statements include activity of Colorado Counties, Inc. (CCI), CCI Foundation, Inc. (the Foundation), and CCI Public Lands (Public Lands) (collectively, “the Organization”), which are under common control.

- CCI is a Colorado nonprofit corporation formed in 1974 from the contributions of assets of the former Colorado State Association of County Commissioners. The mission of CCI is to cultivate a more general knowledge of, and to encourage a greater interest among, the counties of Colorado in the administration and function of county government.
- The Foundation is a Colorado nonprofit corporation formed in 2012. The Foundation sponsors statewide conferences and workshops to facilitate county information sharing and problem solving. The Foundation also conducts research, prepares publications on issues of interest to counties and, through the County Information Center, provides an electronic repository of these publications.
- Public Lands is a Colorado nonprofit corporation formed in 2012. Public Lands supports strong working relationships among state, federal and local governments to coordinate planning functions and implement various policies that minimize burdens on local governments and individual private property rights.

Basis of Presentation and Accounting

All interorganizational balances and transactions have been eliminated in the accompanying financial statements. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. As of December 31, 2016, the Organization had no temporarily or permanently restricted net assets.

Use of Estimates in the Preparation of Financial Statements

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 period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers money market funds and all highly liquid debt and equity instruments purchased with maturities of three months or less to be cash equivalents.

Investments

Investments in marketable equity securities with readily determinable fair values, and all investments in debt securities, are stated at their fair values in the statement of financial position. Gains and losses, both realized and unrealized, are reported in the statement of activities.

Property and Equipment

Property and equipment is stated at cost if purchased and at estimated fair value if donated. Depreciation is computed using the straight-line method over the assets’ estimated useful lives, as follows: building and improvements—39 years; vehicles—5 years; furniture and equipment—3 to 5 years. The Organization capitalizes property and equipment additions greater than \$3,000.

COLORADO COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

Management assesses the carrying value of long-lived assets for impairment when circumstances indicate such amounts may not be recoverable from future operations. Generally, assets to be held and used in operations are considered impaired if the sum of expected undiscounted future cash flows are less than the carrying amount of the asset. If impairment has occurred, the loss is measured based on the amount by which the carrying value exceeds its fair market value. Management does not believe that any impairment has occurred as of December 31, 2016.

Revenue Recognition

CCI's major source of revenues is dues from member counties within Colorado. Dues are recognized ratably over the membership term, which is generally one year. The Foundation's major source of revenue is registration fees from annual conferences, sponsorships, and member dues. Public Lands' major source of revenue is member dues. Dues revenue received in advance of when it is earned is reported as deferred revenue on the accompanying statement of financial position.

Contributions are recognized in the period when received. Contributions are considered unrestricted unless specifically restricted by the donor. The Organization records donor-restricted contributions as unrestricted if the restrictions are met in the same reporting period. Net assets released from restrictions (when the donor-stipulated purpose has been met or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets in the statement of activities.

Accounts Receivable

Receivables are uncollateralized obligations due from members and associates for conference fees, member dues and sponsorships. Receivables are due under normal trade terms requiring payment within 30 to 45 days. The Organization generally bills for unpaid fees within 30 days after the conference. Payments against receivables are allocated to the specific invoices identified on the remittance advice, or, if unspecified, are applied to the earliest unpaid invoices.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected, based on past experience and analysis of current accounts receivable. At December 31, 2016, no allowance for doubtful accounts was recorded because management believes the accounts are fully collectible.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Credit Risk and Concentrations

Financial instruments, which potentially subject the Organization to credit risk, consist of cash, accounts receivable, and investments. Credit risk with respect to accounts receivable is spread among the county governments in Colorado that utilize the Organization's services and programs. Investments consist primarily of certificates of deposit and cash from high-quality financial institutions. Cash balances may occasionally exceed insured limits, but the Organization places its temporary cash investments with high-credit-quality financial institutions and has not suffered losses from this exposure.

COLORADO COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

Fair value measurements of assets and liabilities may be carried out using:

- Quoted prices in active markets for identical assets (Level 1),
- Significant other observable inputs (Level 2), or
- Significant unobservable inputs (Level 3).

Assets measured at fair value consisted of investments in certificates of deposit measured on a recurring basis using Level 2 inputs and totaled \$1,399,278 at December 31, 2016.

Income Taxes

CCI, the Foundation, and Public Lands qualify as tax-exempt organizations and are generally not subject to income tax under the following sections of the Internal Revenue Code:

<u>Entity</u>	<u>Section</u>
CCI	501(c)(4)
Foundation	501(c)(3)
Public Lands	501(c)(4)

CCI is subject to income tax at corporate tax rates for unrelated business income received under certain marketing agreements. During 2016, CCI reported taxable income of \$48,025 and incurred Federal and state income tax expense totaling \$9,535. Public Lands and the Foundation did not recognize any unrelated business income in 2016.

The Organization has taken no tax positions it believes are unlikely to be upheld, or that might jeopardize its tax-exempt status, if examined by taxing authorities with full knowledge of all relevant information.

Should its tax-exempt status be challenged in the future, all years since inception could be subject to review by the IRS. The Organization's federal information and income tax returns (Forms 990 and 990-T) for 2013, 2014, 2015, and 2016 are subject to examination by the IRS, generally for three years after they were filed. The Organization's state income tax returns for 2012, 2013, 2014, 2015 and 2016 are subject to examination by Colorado tax authorities, generally for four years after they were filed.

Subsequent Events Evaluation

Management has evaluated subsequent events through April 18, 2017, the date the financial statements were available to be issued.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2016:

Buildings and improvements	\$ 1,560,693
Furniture and equipment	283,195
Vehicles	30,618
	<u>1,874,506</u>
Accumulated depreciation	(794,902)
	<u>\$ 1,079,604</u>

COLORADO COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – COMMITMENTS

CCI has entered into contracts with three hotels for certain conferences to be held in 2015 and 2016. Under the contract terms, if CCI cancels the conferences, it must pay the hotels the following guaranteed amounts:

2017 winter conference	\$ 115,904
2017 summer conference	94,600
2018 summer conference	94,600
2017 new commissioner orientation	<u>26,400</u>
	\$ <u><u>331,504</u></u>

NOTE 4 – TRANSACTIONS WITH AFFILIATE

CCI owns an office condominium in Denver, Colorado, which serves as the Organization's administrative office. As a member of the condominium association, CCI pays monthly occupancy fees that totaled \$69,242 in 2016.

NOTE 5 – BOARD DESIGNATED FUNDS

CCI's Board of Directors designated unrestricted net assets for the following purposes at December 31, 2016:

Unemployment compensation fund	\$ 27,664
Conference cancellation fund	150,000
Capital equipment replacement fund	60,000
Building maintenance fund	100,000
Membership stabilization fund	320,092
Health insurance fund	24,000
Automobile replacement fund	50,000
Emergency contingency fund	<u>2,085,218</u>
	\$ <u><u>2,816,974</u></u>

NOTE 6 – INVESTMENTS

Investments consisted of certificates of deposit totaling \$1,399,278 at December 31, 2016. Investment income consisted of the following in 2016:

Interest income	\$ 12,778
Net gain (loss)	2,614
Investment fees	<u>(150)</u>
	\$ <u><u>15,242</u></u>

COLORADO COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – RELATED-PARTY TRANSACTIONS

CCI provides management and administrative services for the Foundation and Public Lands. In 2016, the Foundation paid CCI \$101,000 and Public Lands paid CCI \$24,000 for management fees. At December 31, 2016, the Foundation owed CCI \$4,907 and Public Lands had no outstanding balance.

NOTE 8 – BENEFIT PLAN

CCI maintains a Simplified Employee Pension Plan (the Plan) for the benefit of all employees. Employer contributions are 15% of eligible wages. In 2016, CCI contributed \$98,618 to the Plan.