

EAST CENTRAL
COUNCIL OF GOVERNMENTS

***BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION***

***YEARS ENDED
DECEMBER 31, 2016 AND 2015***



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By Electronic Submission at 12:54 pm, May 17, 2017

EAST CENTRAL COUNCIL OF GOVERNMENTS

DECEMBER 31, 2016 AND 2015

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EAST CENTRAL COUNCIL OF LOCAL GOVERNMENTS

COLORADO'S CENTRAL PLAINS



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MANAGEMENT DISCUSSION AND ANALYSIS

Our discussion and analysis of the East Central Council of Governments' (ECCOG) financial performance provides an overview of ECCOG's financial activities for the year ended December 31, 2016. Please read it in conjunction with ECCOG's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of ECCOG as a whole and present a longer-term view of ECCOG's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The remaining Fiduciary Statement provides financial information about activities for which ECCOG acts solely as an agent for the benefit of those outside of the Council of Governments.

Reporting the East Central Council of Governments as a Whole

The Statement of Net Position and the Statement of Activities

The Statement of Net Position includes all of ECCOG's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of ECCOG is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the condition of ECCOG's position, to assess the overall financial "picture" of ECCOG.

The Statement of Activities reports information about ECCOG as a whole showing how ECCOG's net position changed during the most recent fiscal year. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

In the Statement of Net Position and the Statement of Activities, only governmental activities are reported due to the fact ECCOG does not operate business-type activities. Governmental activities include all of ECCOG's programs (Aging Services, Economic Development, Transportation Services, and Housing Services). Federal and state grants finance a majority of these activities as well as local matching funds from towns and counties.

Reporting the East Central Council of Governments' Funds

Fund Financial Statements

The fund financial statements provide detailed information about the general fund. Due to the fact ECCOG does not operate business-type activities the fund financial statements closely mirror the Statement of Net Position and the Statement of Activities; the only differences being the method of accounting used to prepare the two different sets of financials. All of ECCOG's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of ECCOG's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the ECCOG's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds as a separate schedule.

The East Central Council of Governments as an Agency

Reporting the East Central Council of Governments' Fiduciary Responsibilities

ECCOG is the fiduciary for monies received for Kit Carson, Lincoln, Cheyenne and Elbert Counties. The funds are received by ECCOG for private special trips made by various agencies and individuals using the buses from ECCOG's transportation program. All of ECCOG's fiduciary activities are reported in a separate Statement of Fiduciary Net Position-Fiduciary Fund. We exclude these activities from ECCOG's other financial statements because ECCOG cannot use these assets to finance its operations. ECCOG is responsible for ensuring that the assets reported in these funds are used for their intended purpose for each county.

THE AGENCY AS A WHOLE

As noted earlier, the net position may serve over time as a useful indicator of a government's financial position. The following table provides a comparison of ECCOG's net position as of December 31, 2016 and 2015. You will notice that ECCOG's government activities net position increased by \$13,289 in 2016. A discussion explaining the increase in net position is provided after the table.

	2016	2015	Variance
ASSETS:			
Cash	\$77,232	\$86,699	\$(9,467)
Receivables, net	119,295	108,714	10,581
Prepaid expenses	3,598	3,104	494
Capital assets, net	23,842	29,539	(5,697)
Total Assets	223,967	228,056	(4,089)
LIABILITIES:			
Accounts payable and accrued expenses	39,426	67,512	(28,086)
Unearned revenues	39,427	28,530	10,897
Long-term liabilities:			
Due in more than one year	8,557	8,746	(189)
Total Liabilities	87,410	104,788	(17,378)
NET POSITION:			
Investment in capital assets	23,842	29,539	(5,697)
Unrestricted	112,715	93,729	18,986
Total Net Position	\$136,557	\$123,268	\$13,289

Assets:

Cash on hand decreased by \$9,467 in 2016 and the Grants receivable increased \$10,581. Cash decreased due to the timing of agency reimbursement for expenditures already expensed.

The current year prepaid expense balance represents \$2,064 of prepaid state compensation, and \$1,533 of prepaid postage.

Liabilities:

The decrease in accounts payable and accrued expenses of \$28,086 from 2015 to 2016 is the result of the Organization's change in policy and procedures for payroll in 2015, the December payroll checks are now dated the last day of the year reducing the accounts payable and accrued expenses; in years past the December payroll checks have been dated in January of the following year. The long-term liability balance of \$8,557 represents compensated absences due to employees as of December 31, 2016.

Governmental Activities

The following condensed statement of activities assists with identifying how the increase in net position occurred between 2016 and 2015.

	2016	2015	Variance
Expenses:			
Salaries, wages and benefits	\$576,919	\$581,384	\$(4,465)
Materials and supplies	65,981	76,888	(10,907)
Other program expenses	696,187	561,001	135,186
Depreciation	5,697	4,263	1,434
Total Expenses	1,344,784	1,223,536	121,248
Program Revenues:			
Charges for services	77,734	88,741	(11,007)
Operating grants and contributions	1,266,766	1,137,287	129,479
Net program expense	(284)	2,492	(2,776)
General Revenues:			
Miscellaneous	13,473	4,018	9,455
Interest income	100	91	9
Total general revenues	13,573	4,109	9,464
Change in net position	13,289	6,601	6,688
Net position – beginning	123,268	116,667	6,601
Net position – ending	\$136,557	\$123,268	\$13,289

Expenses:

Other program expenses increased in 2016 due to an increase in Enterprise Zone contributions project payouts during 2016.

Program Revenues:

Operating grants and contributions increased due to receipt of one time State Homestead funding \$20,211 and an increase in Enterprise Zone contributions during 2016.

GENERAL FUND BUDGETARY HIGHLIGHTS

As discussed in the footnotes of the basic financial statements, ECCOG is required to abide by budgets contained in individual grant agreements. The grant agreements have budgetary periods that, in many cases, do not coincide with ECCOG's fiscal year. Revenues and expenditures related to the grant agreements are monitored for compliance with budgetary requirements by ECCOG and the various grantor agencies. ECCOG's budget is not legally adopted or approved by any legislative body. Therefore, the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual have been omitted from the basic financial statements.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2016, ECCOG had the following capital assets:

	2016	2015
Furniture and equipment	\$24,003	\$64,332
Vehicle	14,840	55,591
Total Capital Assets	\$38,843	\$119,923
Less: Accumulated depreciation	15,001	90,384
Net Capital Assets	\$23,842	\$29,539

During 2016, the \$81,080 decrease in capital assets was the result of disposal of obsolete fixed assets.

Depreciation expense for 2016 and 2015 was \$5,697 and \$4,263, respectively.

Debt

As of December 31, 2016, ECCOG had the following in General Long-Term Debt.

	2016	2015
Compensated absences	\$8,557	\$8,746

East Central Council of Governments Economic Factors and 2017 Budget

The East Central Council of Governments' 2017 general fund (contributions from the counties and municipalities) amount is once again anticipated to remain constant. General fund revenues are based on population and a predetermined assessment formula. The formula for the municipal contributions will remain the same as in 2017 and the anticipated 2017 revenue from the municipalities will be approximately \$500 more than in 2016 because of slight growth. The loss of the total correctional facility inmate population counts will not be reflected in the COG dues structure for another two years but some of that loss will be reflected in the July 1, 2016 counts which will be used for the 2018 dues. The dues formula for the four counties was changed in 2015...each county now has a \$10,000 base and then an additional flat amount depending on population. This new formula resulted in contributions from the four counties of \$55,000 in 2016 and an identical amount in 2017.

ECCOG's overall 2017 budget totals will be \$62,000 more than it was in 2016. This is principally due to the anticipated minimal decreases in State Funding for Senior Services, Title III (Older Americans Act) and Title III project income and an additional amount that was added to Broadband later in 2016 and extended into 2017.

Though ECCOG will receive a similar but slightly larger amount in 2017 from State Funding for Senior Services and the Older Americans Act, the East Central Area Agency on Aging is expected to remain stable and senior programs administered by ECCOG should not be threatened in 2017. However, the possibility of the availability of less funding than projected (because of cuts at the federal, state and even local levels in 2017-2018 cannot be ruled out). All of the ECCOG contracts are dependent on funding being available and can be cut or pulled back even after being fully executed and in place. The availability of dollars from all sources will continue to be closely monitored and services and or administrative costs decreased if necessary.

A new CDBG grant was awarded in the fall of 2015 and administrative dollars were awarded in proportion. Because a very large loan of \$400,000 that closed in early 2015, CDBG administrative dollars were allocated at approximately 16% and were able to be used in 2015. All of those "earned admin dollars" were expended by the end of 2015 and no additional funds were earned in 2016. However, it is anticipated that the remaining \$18,000 available in CDBG Business Admin can be expended in 2017 as loan activity is projected to be higher in 2017. There remains immediate availability of the administrative dollars from the revolved loan program.

A new salary schedule was adopted in 2012 for 2013 and 2014. That salary schedule continued to be used for 2015, 2016 and was again approved in June of 2016 for 2017 and 2018...but the part-time schedule was again modified in late 2016 to reflect the minimum wage increase to \$9.30 that was effective January 1, 2017. Health insurance contribution amounts from ECCOG for full-time employees increased from \$400-\$450 in 2015 and the \$450 contribution will continue in 2017. Staffing costs in 2017 should be slightly less than that of 2016 even with some employees receiving step increases. Long-time Executive Director, Jo Downey, will be at 25% time in 2017 and the new Aging and Transit Services Director's total salary and fringe will be slightly less than that of Terry Baylie who retired at the end of September after 34 years as the

Aging and Transit Services Director. Terry was at 80% time for nine months in 2016 and the new director is at 100% time for the entire 12 months in 2017.

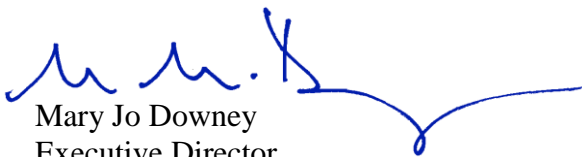
2016 was the year that a full three-year EDA grant was reapplied for. The first year began when the current contract expired (July 1, 2016) and year two and year three will be awarded as each year of the three-year award is completed successfully...assuming there are funds in the EDA Partnership program. Until the October 1, 2017 federal budget year begins and the program funds are known to be included, continuing EDA funding for ECCOG is not definite. The stated amount available each of the current three years is projected at \$66,000 (previous three years were \$51,000, \$61,000 and \$61,000) and match will be at 40% (\$44,000) rather than 50% as it was the past three-year cycle. The general funds not used for match will be applied elsewhere either as match or for direct costs that cannot be covered by the smaller (total grant and match) of the EDA contract.

As outlined above, the greatest ECCOG financial challenge in 2017 will be the same as in past years but possibly even greater: To be ready and able to adapt to the potential for budget cuts at all government levels (local, state, and federal) while making every effort to impact as little as possible the programs and services provided by ECCOG.

CONTACTING THE EAST CENTRAL COUNCIL OF GOVERNMENTS' FINANCIAL MANAGEMENT

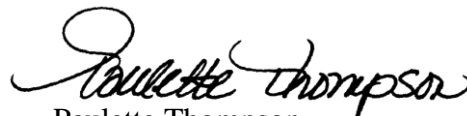
This financial report is designed to provide our citizens, taxpayers, customers, and creditors, with a general overview of ECCOG's finances, and to show ECCOG's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the East Central Council of Governments' Office at 128 Colorado Avenue, Stratton, Colorado. We can be reached by phone (719) 348-5562, or email as listed below.

Sincerely,



Mary Jo Downey
Executive Director

jdowney@prairiedevelopment.com



Paulette Thompson
Fiscal Officer

pthompson@prairiedevelopment.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
East Central Council of Governments

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Central Council of Governments as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents. The prior year summarized comparative information has been derived from the East Central Council of Governments' 2015 financial statements and, in our report dated March 25, 2016; we expressed an unqualified opinion on those financial statements.

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 governmental activities, each major fund, and the aggregate remaining fund information of the East Central Council of Governments, as of December 31, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 – 7 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 required supplementary 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.



Parker, Colorado

May 10, 2017

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

EAST CENTRAL COUNCIL OF GOVERNMENTS
STATEMENTS OF NET POSITION
DECEMBER 31, 2016 AND 2015

	Governmental Activities	
	2016	2015
ASSETS:		
Cash	\$ 77,232	\$ 86,699
Receivables, net	119,295	108,714
Prepaid expenses	3,598	3,104
Capital assets, net	23,842	29,539
Total Assets	223,967	228,056
LIABILITIES:		
Accounts payable and accrued expenses	39,426	67,512
Unearned revenue	39,427	28,530
Long-term liabilities:		
Due in more than one year	8,557	8,746
Total Liabilities	87,410	104,788
NET POSITION:		
Investment in capital assets	23,842	29,539
Unrestricted	112,715	93,729
Total Net Position	\$ 136,557	\$ 123,268

EAST CENTRAL COUNCIL OF GOVERNMENTS

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2016 AND 2015

2016

	Total	Agency Management and Administration	Programs			
			Aging Services	Economic Development	Transportation Services	Housing Services
Expenses:						
Salaries, wages and benefits	\$ 576,919	\$ 958	\$ 294,937	\$ 166,184	\$ 107,620	\$ 7,220
Materials and supplies	65,981	-	65,981	-	-	-
Other program expenses	696,187	186,855	262,720	74,145	166,721	5,746
Depreciation	5,697	4,754	943	-	-	-
Total expenses	1,344,784	192,567	624,581	240,329	274,341	12,966
Program revenues:						
Charges for services	77,734	10,853	-	60,546	6,335	-
Operating grants and contributions	1,266,766	76,627	624,527	297,906	267,706	-
Net program expense	(284)	(105,087)	(54)	118,123	(300)	(12,966)
General Revenues:						
Miscellaneous	13,473					
Interest income	100					
Total general revenues	13,573					
Change in net position	13,289					
Net position - beginning	123,268					
Net position - ending	\$ 136,557					

2015

	Total	Agency Management and Administration	Programs			
			Aging Services	Economic Development	Transportation Services	Housing Services
Expenses:						
Salaries, wages and benefits	\$ 581,384	\$ 1,658	\$ 274,995	\$ 177,166	\$ 121,341	\$ 6,224
Materials and supplies	76,888	-	76,888	-	-	-
Other program expenses	561,001	129,268	196,374	93,649	134,094	7,616
Depreciation	4,263	3,320	943	-	-	-
Total expenses	1,223,536	134,246	549,200	270,815	255,435	13,840
Program revenues:						
Charges for services	88,741	11,337	-	69,526	7,878	-
Operating grants and contributions	1,137,287	76,986	553,637	257,933	248,731	-
Net program expense	2,492	(45,923)	4,437	56,644	1,174	(13,840)
General Revenues:						
Miscellaneous	4,018					
Interest income	91					
Total general revenues	4,109					
Change in net position	6,601					
Net position - beginning	116,667					
Net position - ending	\$ 123,268					

BASIC FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

EAST CENTRAL COUNCIL OF GOVERNMENTS
BALANCE SHEETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2016 AND 2015

	General Fund	
	2016	2015
ASSETS:		
Cash	\$ 77,232	\$ 86,699
Grants receivable	111,245	99,749
Receivable from PDC	3,230	5,905
Other receivables	4,821	3,061
Prepaid expenses	3,598	3,104
	\$ 200,126	\$ 198,518
 LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts payable	\$ 39,427	\$ 57,339
Salaries and taxes payable	-	10,174
Unearned revenue	39,427	28,530
	78,854	96,043
 Fund Balance:		
Nonspendable	3,598	3,104
Unassigned	117,674	99,371
	121,272	102,475
Total Fund Balance	\$ 200,126	\$ 198,518
Total Liabilities and Fund Balance	\$ 200,126	\$ 198,518

EAST CENTRAL COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE BALANCE SHEETS -
GOVERNMENTAL FUNDS
TO THE STATEMENTS OF NET POSITION
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Total fund balance - general fund	\$ 121,272	\$ 102,475
<p>Amounts reported for <i>governmental activities</i> in the statement of net position are different because:</p>		
<p>Governmental funds report capital outlay as expenditures. However, in the statement of net position, the cost of those assets is capitalized and depreciated over their estimated useful lives. This is the net amount of the capital outlays being capitalized and depreciated.</p>	23,842	29,539
<p>Only the current portion of the liability for compensated absences are reported in the governmental funds; however, the entire balance for compensated balances is reported in the statement of net position. This is the amount for total compensated absences due in more than one year that is reported in the statement of net assets.</p>	(8,557)	(8,746)
Net position of governmental activities	\$ 136,557	\$ 123,268

EAST CENTRAL COUNCIL OF GOVERNMENTS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	General Fund	
	2016	2015
REVENUES:		
Intergovernmental Revenues:		
Grants	\$ 857,502	\$ 782,617
Grant matching contributions	128,339	141,612
COG dues	76,627	76,986
Charges for services	17,188	19,215
PDC administration fees	60,546	69,526
Public contributions	204,296	136,072
Other revenues	13,473	4,018
Interest income	100	91
Total Revenues	1,358,071	1,230,137
EXPENDITURES:		
Current:		
Agency management and administration	188,001	144,059
Aging services	623,638	548,257
Economic development	240,329	270,815
Transportation services	274,341	255,435
Housing services	12,965	13,840
Total Expenditures	1,339,274	1,232,406
NET CHANGE IN FUND BALANCE	18,797	(2,269)
FUND BALANCE, BEGINNING OF YEAR	102,475	104,744
FUND BALANCE, END OF YEAR	\$ 121,272	\$ 102,475

EAST CENTRAL COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE STATEMENTS OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Net change in fund balance - general fund	\$ 18,797	\$ (2,269)
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because:</p> <p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as a depreciation expense. This is the amount by which current year depreciation exceeds current year capital outlays and the net of the capital lease payments expensed in the statement of revenues, expenditures, and changes in fund balance verses the amount expensed in the statement of activities.</p>		
	(5,697)	5,595
<p>Only the current portion of the liability for compensated absences are reported in the governmental funds; however, the entire balance for compensated balances is reported in the statement of net assets. This is the amount by which the compensated balances changed from the prior year to the current year.</p>		
	189	3,275
Change in net position of governmental activities	\$ 13,289	\$ 6,601

EAST CENTRAL COUNCIL OF GOVERNMENTS
STATEMENTS OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2016 AND 2015

	Agency Fund	
	2016	2015
ASSETS:		
Cash	\$ 16,597	\$ 14,526
Total Assets	\$ 16,597	\$ 14,526
LIABILITIES:		
Due to other governments/groups	\$ 16,597	\$ 14,526
Total Liabilities	\$ 16,597	\$ 14,526

EAST CENTRAL COUNCIL OF GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The East Central Council of Governments (ECCOG) complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) requirements have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Financial Reporting Entity

All activities of ECCOG are included in the basic financial statements. ECCOG does not have any component units over which it exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with ECCOG (as distinct from legal relationships).

ECCOG was formed by and for the local governments within Cheyenne, Lincoln, Kit Carson and Elbert counties. Each county and town served by ECCOG contributes annual dues based on a per capita assessment.

ECCOG is governed by thirteen directors, including four county commissioners, four elected municipal officials, and five non-government representatives from the private sector and other stakeholder organizations. Directors are elected for one-year terms, which are renewable. County Commissioners are appointed to the board at the annual reorganization meeting each January.

The purpose of ECCOG is to assure the orderly and harmonious development of the geographic area comprising the rural and urban governmental subdivisions within these counties; to provide a means of responding to the local and regional problems of the communities; to serve as the advisory coordinating agency to harmonize the activities of all federal, state and local agencies within these counties; to render assistance for planning, zoning, health facilities, coordination of federal and state grant programs; and for the development of programs for economic, social and physical growth.

Basis of Presentation

Government-wide Financial Statements:

The Statements of Net Position and Statements of Activities display information about the reporting government as a whole and include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities (ECCOG has no business-type activities). Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

EAST CENTRAL COUNCIL OF GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund balance, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary (ECCOG has no proprietary funds). An emphasis is placed on major funds within the governmental and proprietary categories.

A fund is considered major if it is the primary operating fund of the entity or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds:

General Fund:

The General Fund is the primary operating fund of ECCOG and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds. ECCOG utilizes the general fund exclusively of which it is charged with all costs of operating ECCOG due to the fact a separate fund has not been established.

EAST CENTRAL COUNCIL OF GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fiduciary Funds (Not included in government-wide statements):

Agency Funds:

Agency funds account for assets held by ECCOG in a purely custodial capacity. Agency funds are custodial in nature (i.e., assets equal liabilities), and do not involve the measurement of results of operations.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus:

On the government-wide Statements of Net Position and the Statements of Activities, governmental activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

a. Current Financial Resources - Only current financial assets and liabilities are generally included on the balance sheet. Operating statements present sources and uses of available spendable financial resources during a given period. The fund uses a fund balance as the measure of available spendable financial resources at the end of the period.

b. Economic Resources - The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

c. The agency fund is not involved in the measurement of results of operations; therefore, measurement focus is not applicable to it.

EAST CENTRAL COUNCIL OF GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Accounting:

In the government-wide Statements of Net Position and Statements of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

Assets, Liabilities, and Equity

Cash:

For the purpose of both the government-wide and fund financial statements, “cash” includes the checking accounts for ECCOG.

Receivables:

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include grants and amounts due from the Prairie Development Corporation (PDC).

In the fund financial statements, material receivables in governmental funds include revenue accruals such as grants and other similar intergovernmental revenues since they are usually both measurable and available.

EAST CENTRAL COUNCIL OF GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets:

The accounting treatment over equipment (fixed assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide Statements:

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. ECCOG's policy is to capitalize all fixed assets with a unit value of \$5,000 or greater. Maintenance, repairs, and minor renewals are charged as expenditures when incurred.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statements of Activities, with accumulated depreciation reflected in the Statements of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. Fixed assets are depreciated over their estimated useful lives of three to thirty nine years.

Fund Financial Statements:

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-term Debt:

The accounting treatment of long-term debt depends on whether it is reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. Long-term debt consists of accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures.

EAST CENTRAL COUNCIL OF GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Compensated Absences:

ECCOG's liability for compensated absences consists of accrued vacation pay due to employees. Full-time employees may accrue up to 240 hours of vacation. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Equity Classifications:

Government-wide Statements - Equity is classified as net position and displayed in two components:

Investment in capital assets - Consists of capital assets net of accumulated depreciation.

Unrestricted - All other net assets that do not meet the definition of "investment in capital assets."

Fund Statements - Governmental fund equity is classified as fund balance and displayed in two components:

Nonspendable – This classification includes all assets which are not expected to convert to cash (i.e. prepaid expenses).

Unassigned – This classification includes the residual fund balance for the General Fund.

Revenues, Expenditures, and Expenses

Program Income:

Program income is derived primarily from donations by program beneficiaries and is accounted for by the respective program. These funds may be used only for program related activities as specified by the grants and applicable regulations. Unexpended program income is reflected as deferred revenues on the balance sheet.

Expenditures/Expenses:

In the government-wide financial statements, expenses are classified by function.

In the fund financial statements, expenditures are classified by program, debt service, and capital outlay.

EAST CENTRAL COUNCIL OF GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 2 **DETAIL NOTES ON TRANSACTIONS/ACCOUNTS**

Deposits and Investments

The State of Colorado has adopted the Public Deposit Protection Act of 1975 (the Act) to provide protection of public monies on deposit in state and national banks in Colorado above and beyond that provided by the Federal Deposit Insurance Corporation. The Act requires all eligible public depositories to maintain a specified amount of eligible collateral as security for public deposits accepted and held. Alternatively, a public depository may elect collateral having a market value equal to or greater than the aggregate of public deposits accepted and held by pledging eligible collateral having a market value equal to or greater than the aggregate of public deposits not insured by the Federal Deposit Insurance Corporation.

ECCOG's cash balance of \$77,232 and \$86,699 at December 31, 2016 and 2015, respectively, was insured or collateralized with securities held by the entity or by its agent in the entity's name.

Receivable From Prairie Development Corporation

The receivable from Prairie Development Corporation (PDC) of \$3,230 and \$5,905 at December 31, 2016 and 2015, respectively, represents amounts due for program and administrative services.

Other Receivables

General fund, other receivables consist of the following:

	2016	2015
Enterprise Zone receivables	\$ 4,750	\$ 1,000
Other miscellaneous receivables	71	428
Member government matching funds	-	1,633
Total Other Receivables	\$ 4,821	\$ 3,061

General Fixed Assets

A summary of changes in fixed assets follows:

	Furniture and Equipment
Balance 12/31/2015	\$ 119,923
Additions	-
Deletions	81,080
Balance 12/31/2016	\$ 38,843

EAST CENTRAL COUNCIL OF GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 2 **DETAIL NOTES ON TRANSACTIONS/ACCOUNTS (Continued)**

General Fixed Assets (Continued)

A summary of changes in Accumulated Depreciation follows:

	Furniture and Equipment
Balance 12/31/2015	\$ 90,384
Additions	5,697
Deletions	81,080
Balance 12/31/2016	\$ 15,001

A summary of Net Book Value follows:

	Furniture and Equipment
Balance 12/31/2015	\$ 29,539
Balance 12/31/2016	\$ 23,842

During 2016, the Organization disposed of fully depreciated fixed assets which were no longer in service in the amount of \$81,080.

Depreciation expense was charged to governmental activities as follows:

	2016	2015
Agency Management and Administration	\$ 4,754	\$ 3,320
Senior Services	943	943
Total Depreciation	\$ 5,697	\$ 4,263

General Long-Term Debt

A summary of general long-term debt transactions for the years ended December 31, 2016 and 2015 are presented below. Due to the nature of the obligation for compensated absences, annual requirements to amortize such obligations are not determinable and have not been presented.

Balance 12/31/2015	\$ 8,746
Additions	1,461
Deletions	(1,650)
Balance 12/31/2016	\$ 8,557

EAST CENTRAL COUNCIL OF GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 2 **DETAIL NOTES ON TRANSACTIONS/ACCOUNTS (Continued)**

Lease Commitments

ECCOG entered into an operating lease agreement for office space in July 2008 with PDC for \$1,060 a month. In November 2015 the lease was amended; effective February 1, 2016 the lease rate increased to \$1,200 a month. The lease has no specified termination date.

Related Party Transactions

ECCOG leases office space from PDC. An agreement was signed between the two organizations in July 2008; an amount of \$1,060 is paid to PDC on a monthly basis. In November 2015 the lease was amended; effective February 1, 2016 the lease rate increased to \$1,200 a month. The agreement has no specified end date. During 2016, ECCOG paid PDC \$14,260 for lease expense.

In addition, ECCOG provides administrative services for PDC. ECCOG invoices PDC on a monthly basis for all expenses incurred on behalf of PDC. During 2016, PDC paid \$56,907 to ECCOG for administrative services. As of December 31, 2016, PDC owed ECCOG \$3,230 for administrative services provided in December 2016.

Pension Plan

ECCOG has a qualified defined contribution retirement plan (National Employers Retirement Trust money purchase pension plan, administered by Thomas F. Barrett Inc.). In accordance with the terms of the plan, ECCOG and its full-time employees are required to make contributions of 6% and 5% of salaries paid, respectively. In addition, employees may make elective contributions up to 10% of their salary (National Employers Retirement Trust 457 pension plan, administered by Thomas F. Barrett, Inc.). ECCOG does not have access to the funds nor do they guarantee a return on the contributions. Following is a summary of pension activity:

	<u>2016</u>	<u>2015</u>
Pension expense	<u>\$ 16,659</u>	<u>\$ 19,659</u>
Mandatory contributions of participating employees	<u>\$ 13,883</u>	<u>\$ 16,383</u>
Voluntary contributions of participating employees	<u>\$ 4,983</u>	<u>\$ 5,237</u>
Covered wages	<u>\$ 277,656</u>	<u>\$ 327,657</u>

Budgetary Data

ECCOG is required to abide by budgets contained in individual grant agreements. The grant agreements have budgetary periods that, in many cases, do not coincide with ECCOG's fiscal year. Revenues and expenditures related to the grant agreements are monitored for compliance with budgetary requirements by ECCOG and the various grantor agencies. ECCOG's budget is not legally adopted or approved by any legislative body. Therefore, the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual has been omitted from the basis financial statements.

EAST CENTRAL COUNCIL OF GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 2 **DETAIL NOTES ON TRANSACTIONS/ACCOUNTS (Continued)**

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at December 31, 2016 and 2015, and revenues and expenditures during the year then ended. The actual outcome of the estimates could differ from the estimates made in the preparation of the financial statements.

Economic Dependency

Three Colorado governmental agencies provided ECCOG with most of their grant funding in 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Colorado Department of Health & Human Services	37%	27%
Colorado Department of Local Affairs	2%	4%
Colorado Office of Economic Development	2%	3%

A significant reduction in the level of such support, if this were to occur, may have an adverse affect on ECCOG's operations.

Concentration of Credit Risk

ECCOG's financial instruments that are exposed to concentrations of credit risk consist of cash and grants receivable. ECCOG places its cash with high credit quality institutions. ECCOG routinely assesses the financial strength of its donors and, as a consequence, believes that its grants receivable credit risk exposure is limited. At times, cash may be held in accounts in excess of the FDIC insurance limit of \$250,000. However, at December 31, 2016, ECCOG had no accounts in excess of the FDIC insurance limit.

Risk of Loss

ECCOG considers its primary exposure to risk of loss is associated with buildings and other owned fixed assets, and potential exposure for acts of its directors. Those risks of loss are mitigated through purchase of commercial insurance. ECCOG maintains a general liability policy with each occurrence and general aggregate limits of \$1 million, Directors and Officers liability insurance with per claim and aggregate limits of \$2 million, and building and property insurance with a \$125,000 limit.

EAST CENTRAL COUNCIL OF GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE 2 **DETAIL NOTES ON TRANSACTIONS/ACCOUNTS (Continued)**

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 10, 2017, the date the financial statements were available to be issued.

Taxpayer's Bill of Rights (TABOR)

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of an expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

ECCOG is not a direct tax supported entity; therefore management believes that it is not subject to the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions may require judicial interpretation.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
East Central Council of Governments

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Central Council of Governments, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the East Central Council of Governments' basic financial statements, and have issued our report thereon dated May 10, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the East Central Council of Governments' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the East Central Council of Governments' internal control. Accordingly, we do not express an opinion on the effectiveness of the East Central Council of Governments' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Central Council of Governments' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

May Jackson Hendrick, LLC