

EAST CENTRAL
COUNCIL OF GOVERNMENTS

**BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED
DECEMBER 31, 2017 AND 2016

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RECEIVED

Office of the State Auditor

May 18, 2018

EAST CENTRAL COUNCIL OF GOVERNMENTS

DECEMBER 31, 2017 AND 2016

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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, 2017. 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, 2017 and 2016. You will notice that ECCOG’s government activities net position increased by \$24,217 in 2017. A discussion explaining the increase in net position is provided after the table.

	2017	2016	Variance
ASSETS:			
Cash	\$ 114,602	\$ 77,232	\$ 37,370
Receivables, net	118,526	119,295	(769)
Prepaid expenses	2,241	3,598	(1,357)
Capital assets, net	18,523	23,842	(5,319)
Total Assets	253,892	223,967	29,925
LIABILITIES:			
Accounts payable and accrued expenses	37,459	39,426	(1,967)
Unearned revenues	46,661	39,427	7,234
Long-term liabilities:			
Due in more than one year	8,998	8,557	441
Total Liabilities	93,118	87,410	5,708
NET POSITION:			
Investment in capital assets	18,523	23,842	(5,319)
Unrestricted	142,251	112,715	29,536
Total Net Position	\$ 160,774	\$ 136,557	\$ 24,217

Assets:

Cash on hand increased by \$37,370 in 2017 and the receivables decreased \$769. Cash increased due to the fact that total expenses for the year were down by \$216,699 which is \$10,927 more than the decrease of total revenue.

The current year prepaid expense balance represents \$1,132 of prepaid state compensation, and \$1,109 of prepaid postage.

Liabilities:

The decrease in accounts payable and accrued expenses was \$1,967 from 2016 to 2017. The long-term liability balance of \$8,998 represents compensated absences due to employees as of December 31, 2017.

Governmental Activities

The following condensed statement of activities assists with identifying how the increase in net position occurred between 2017 and 2016.

	2017	2016	Variance
Expenses:			
Salaries, wages and benefits	\$ 561,044	\$ 576,919	\$ (15,875)
Materials and supplies	85,234	71,874	13,360
Other program expenses	465,560	690,671	(225,111)
Depreciation	5,319	5,319	-
Total Expenses	1,117,157	1,344,783	(227,626)
Program Revenues:			
Charges for services	153,739	176,258	(22,519)
Operating grants, contributions and dues	980,462	1,168,242	(187,780)
Net program expense	17,044	(283)	17,327
General Revenues:			
Miscellaneous	7,052	13,473	(6,421)
Interest income	121	100	21
Total general revenues	7,173	13,573	(6,400)
Change in net position	24,217	13,290	10,927
Net position – beginning	136,557	123,267	13,290
Net position – ending	\$ 160,774	\$ 136,557	\$ 24,217

Expenses:

Other program expenses decreased in 2017 due to a decrease in Enterprise Zone contributions project payouts during 2017.

Program Revenues:

Operating grants and contributions decreased due to receipt in 2016 of one-time State Homestead funding \$20,211 and a decrease in Enterprise Zone contributions during 2017.

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, 2017, ECCOG had the following capital assets:

	2017	2016
Total Furniture and equipment	\$ 38,843	\$ 38,843
Less: Accumulated depreciation	20,320	15,001
Net Capital Assets	\$ 18,523	\$ 23,842

During 2017, the \$5,319 decrease in capital assets was the result of depreciation.

Depreciation expense for 2017 and 2016 was \$5,319 and \$5,697, respectively.

Debt

As of December 31, 2017, ECCOG had the following in General Long-Term Debt.

	2017	2016
Compensated absences	\$ 8,998	\$ 8,557

East Central Council of Governments Economic Factors as of 4-24-18

East Central Council of Governments' general fund (contributions from the counties and municipalities) is expected to remain constant based on growth and migration from all counties except Elbert County (they should be growing). General fund revenues are based on population and a pre-determined assessment formula comparing population changes from year to year. The formula for the municipal contributions remains the same as in previous years, however unless growth in Elbert County exceeds the declining population in the other three counties, we could see a slight decrease or remain steady. We experienced a reduction in Burlington's 2018 contributions due to the correctional facility closure in 2015. The dues formula for the four counties has remained unchanged since 2015. Each county pays a \$10,000 base and then an additional flat dollar amount depending on population size. This formula resulted in contributions from the four counties of \$55,000 which remains stable for in 2016, 2017 and 2018. All counties and municipalities are paying their dues each year.

ECCOG's overall 2018 budget totals will be approximately \$44,000 less than 2017 due in part to the Prairie Development Corporation Business Loan Fund payroll expenses being lower than in past years and a slight increase in Title III project income and a small balance remains in the Broadband fund. Keeping in mind, that funding availability may be less than projected in 2018-2019 and could be cut at any given time, management is considering new programs to create a more stable income for ECCOG. Closely monitoring all funds will keep ECCOG operating and potentially growing to mitigate concerns of reduced funding.

ECCOG continues to develop the broadband effort in partnership with local internet service providers and our interested regional partners who serve on the steering committee. Though a small amount of broadband funds remains in our funding, a new funding opportunity through the Department of Local Affairs may be offered to continue our work in this project. If the ECCOG board agrees to continue this effort, we may consider applying for funds if made available.

The existing 2015 Community Development Block Grant (CDBG) contract expires in June 2018 and a new CDBG application is being prepared to maintain funding from July 2018 through June 2020. A small amount of CDBG loan funds is available to lend as of December 2017 and Prairie Development Corporation maintains a good balance of other less restrictive funds to meet the needs outside of the CDBG. Another fund capitalized by the state of Colorado for micro-enterprise businesses was established in 2017 and PDC joined the pool of funds to lend up to \$50,000 as character loans to Region 5 with little to no collateral. PDC made a \$50,000 loan using their 2017 allotment to help start a new business. Loan purpose includes construction loans which has been too expensive in the past because of Davis-Bacon Wage Rules which add monitoring and high wage costs to a project. If other Colorado regions do not expend their \$50,000 allotment, PDC could request additional loan funds above their own allotment. The statewide micro-enterprise fund has been made available in 2018 at a lower dollar amount per region. Loans have been made from the existing CDBG fund which earns a 16% administrative fee to help cover administration expenses. Administrative dollars from the revolved loan program are available to offset expenses today.

In September 2017, a new part-time salary schedule was adopted by the ECCOG Board for 2018 and 2019. The 2018 part-time salary schedule increased the base wage to \$10.20 per hour and for 2019 it increased the base wage of \$11.10 per hour. A final part-time wage increase in 2020 to \$12.00, as required by law by, will be made in September 2019. The full-time salary schedule was approved June of 2016 is good through 2018. In the fall of 2018, a new salary schedule for 2019-2020 will be considered by the ECCOG board.

ECCOG's portion of full-time staff health insurance contribution remains at \$450 as modified in 2015 and should remain unchanged. Staffing costs in 2018 should be less as long-time Executive Director Jo

Downey, retired at year-end 2017 and the new director, Candace Payne, is at a lower step on the salary schedule. We are down one staff member than normal in typical COG operations since Candace took on Jo's responsibilities and no one replaced Candace in PDC functions. Debby Conrads is the new Aging and Transit Services Director as of September 2017. Debby will be paid for 12 months in 2018 at the currently approved job category step rate. An assistant transit director has not been hired to date which means we are one staff member lower than usual in transit. Paulette Thompson has taken on the task of reimbursement requests for the aging division and a larger portion of her salary is attributed to that work. We hired a new receptionist in fall of 2017 to allow for a new generation of staff to come on board and be trained in operations as we consider the retirement age is approaching for some staff. It is our intent to prepare for the retirement and other employment transitions by implementing cross-training, written procedures, and enhancing skills for the staff to prepare for the future and what that might bring our way.

Our work with EDA continues into 2019. We are planning now to continue the EDA program if funding is continued beyond 2019. Our three-year grant began in 2016 and we anticipate continuing the efforts started in 2009 as long as the EDA partnership funds are available. We have made several successes in the four counties such as growing the tourism programs, participating in the broadband initiative to improve and build business opportunities, and keeping the municipal and county projects they initiated for themselves advancing. We have earmarked the ECCOG contributions as EDA grant match at the current level of \$46,000 or 40%. The stated amount available each of the current three years is projected at \$66,000. General funds or contributions not used for EDA match may be used elsewhere either as match or for direct costs that are not covered by the EDA grant contract.

All businesses experience times of transition, growth, retraction or stagnation while adjusting to the challenges of the economy and work environment. Currently, the ECCOG directors are planning for change and adjusting to meet greater demands on our staff and programs by participating in training, thinking creatively, acting responsibly, and proactively planning. Financial opportunities or threats will help us be better stewards of the funds we have and those we aim to seek when we keep them in mind. Preparation dictates that we have procedures, cross training, and backup plans in place to be resilient to the unforeseen or unpredictable. Our programs need to be sustainable and we are positioning ourselves to be sustained in the region.

CONTACTING THE EAST CENTRAL COUNCIL OF GOVERNMENTS' FINANCIAL MANAGEMENT

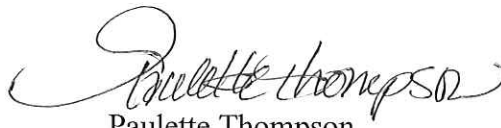
This financial report is designed to provide our citizens, taxpayers, customers, and creditors, with a general overview of ECCOG's finances, and to show ECCOG's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the East 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,



Candace M Payne
Executive Director

cpayne@prairiedevelopment.com



Paulette Thompson
Fiscal Officer

pthompson@prairiedevelopment.com

INDEPENDENT AUDITORS' 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, 2017, 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' 2016 financial statements and, in our report dated May 10, 2017; 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.

Auditors' 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 auditors' 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, 2017, 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 16, 2018

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

EAST CENTRAL COUNCIL OF GOVERNMENTS
STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016

	Governmental Activities	
	2017	2016
ASSETS:		
Cash	\$ 114,602	\$ 77,232
Receivables, net	118,526	119,295
Prepaid expenses	2,241	3,598
Capital assets, net	18,523	23,842
Total Assets	253,892	223,967
LIABILITIES:		
Accounts payable and accrued expenses	37,459	39,426
Unearned revenue	46,661	39,427
Long-term liabilities:		
Due in more than one year	8,998	8,557
Total Liabilities	93,118	87,410
NET POSITION:		
Investment in capital assets	18,523	23,842
Unrestricted	142,251	112,715
Total Net Position	\$ 160,774	\$ 136,557

EAST CENTRAL COUNCIL OF GOVERNMENTS

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2017 AND 2016

2017

	Total	Agency Management and Administration	Programs			
			Aging Services	Economic Development	Transportation Services	Housing Services
Expenses:						
Salaries, wages and benefits	\$ 561,044	\$ 7,461	\$ 290,677	\$ 142,938	\$ 94,391	\$ 25,577
Materials and supplies	85,234	-	85,234	-	-	-
Other program expenses	465,560	58,313	219,518	101,217	65,210	21,302
Depreciation	5,319	4,376	943	-	-	-
Total expenses	1,117,157	70,150	596,372	244,155	159,601	46,879
Program revenues:						
Charges for services	153,739	11,112	91,083	-	5,276	46,268
Operating grants, contributions and dues	980,462	77,459	504,507	244,155	154,341	-
Net program expense	17,044	18,421	(782)	-	16	(611)
General Revenues:						
Miscellaneous	7,052					
Interest income	121					
Total general revenues	7,173					
Change in net position	24,217					
Net position - beginning	136,557					
Net position - ending	\$ 160,774					

2016

	Total	Agency Management and Administration	Programs			
			Aging Services	Economic Development	Transportation Services	Housing Services
Expenses:						
Salaries, wages and benefits	\$ 576,919	\$ 965	\$ 294,930	\$ 137,817	\$ 107,620	\$ 35,587
Materials and supplies	71,874	-	71,874	-	-	-
Other program expenses	690,671	81,460	257,852	160,088	166,721	24,550
Depreciation	5,319	4,376	943	-	-	-
Total expenses	1,344,783	86,801	625,599	297,905	274,341	60,137
Program revenues:						
Charges for services	176,258	10,853	98,524	-	6,335	60,546
Operating grants, contributions and dues	1,168,242	76,627	526,004	297,905	267,706	-
Net program expense	(283)	679	(1,071)	-	(300)	409
General Revenues:						
Miscellaneous	13,473					
Interest income	100					
Total general revenues	13,573					
Change in net position	13,290					
Net position - beginning	123,267					
Net position - ending	\$ 136,557					

BASIC FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

EAST CENTRAL COUNCIL OF GOVERNMENTS
BALANCE SHEETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2017 AND 2016

	General Fund	
	2017	2016
ASSETS:		
Cash	\$ 114,602	\$ 77,232
Grants receivable	113,411	111,245
Receivable from PDC	2,188	3,230
Other receivables	2,928	4,821
Prepaid expenses	2,241	3,598
 Total Assets	 \$ 235,370	 \$ 200,126
 LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts payable	\$ 37,460	\$ 39,427
Unearned revenue	46,661	39,427
 Total Liabilities	 84,121	 78,854
 Fund Balance:		
Nonspendable	2,241	3,598
Unassigned	149,008	117,674
 Total Fund Balance	 151,249	 121,272
 Total Liabilities and Fund Balance	 \$ 235,370	 \$ 200,126

EAST CENTRAL COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE BALANCE SHEETS -
GOVERNMENTAL FUNDS
TO THE STATEMENTS OF NET POSITION
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Total fund balance - general fund	\$ 151,249	\$ 121,272
<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>	18,523	23,842
<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>	(8,998)	(8,557)
Net position of governmental activities	\$ 160,774	\$ 136,557

EAST CENTRAL COUNCIL OF GOVERNMENTS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	General Fund	
	2017	2016
REVENUES:		
Intergovernmental Revenues:		
Grants	\$ 734,570	\$ 857,502
Grant matching contributions	118,168	128,339
Council of governments dues	77,459	76,627
Charges for services	153,739	176,258
Contributions	50,265	105,773
Miscellaneous revenue	7,052	13,473
Interest income	121	100
	<u>1,141,374</u>	<u>1,358,072</u>
EXPENDITURES:		
Current:		
Agency management and administration	65,332	82,236
Aging services	595,430	624,656
Economic development	244,155	297,905
Transportation services	159,601	274,341
Housing services	46,879	60,137
	<u>1,111,397</u>	<u>1,339,275</u>
NET CHANGE IN FUND BALANCE	<u>29,977</u>	<u>18,797</u>
FUND BALANCE, BEGINNING OF YEAR	<u>121,272</u>	<u>102,475</u>
FUND BALANCE, END OF YEAR	<u>\$ 151,249</u>	<u>\$ 121,272</u>

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, 2017 AND 2016

	2017	2016
Net change in fund balance - general fund	\$ 29,977	\$ 18,797
<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>		
	(5,319)	(5,697)
<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>		
	(441)	189
Change in net position of governmental activities	\$ 24,217	\$ 13,289

EAST CENTRAL COUNCIL OF GOVERNMENTS
STATEMENTS OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2017 AND 2016

	Agency Fund	
	2017	2016
ASSETS:		
Cash	\$ 18,809	\$ 16,597
Total Assets	\$ 18,809	\$ 16,597
LIABILITIES:		
Due to other governments/groups	\$ 18,809	\$ 16,597
Total Liabilities	\$ 18,809	\$ 16,597

EAST CENTRAL COUNCIL OF GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

The accompanying financial statements present all the activities of the East Central Council of Governments (ECCOG). 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, 2017 AND 2016

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, 2017 AND 2016

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 position (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, 2017 AND 2016

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 grant receivables and amounts due from the Prairie Development Corporation (PDC).

In the fund financial statements, material receivables in governmental funds include revenue accruals such as grant receivables 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, 2017 AND 2016

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 five to fifteen 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, 2017 AND 2016

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 vacation in excess of 80 hours throughout the calendar year; however, only a maximum of 80 hours may be carried over to the next year by the employee; thereby limiting ECCOG's liability to a maximum of 80 hours per each full-time employee. 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 – The remaining net position that does not meet the definition of “investment in capital assets.”

ECCOG may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to determine the amounts to report as restricted net position and unrestricted net position in the government wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is ECCOG's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

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.

When ECCOG incurs expenditures for purposes for which various fund balance classifications can be used, it is ECCOG's policy to use restricted fund balance first, then committed, assigned and finally unassigned fund balance.

EAST CENTRAL COUNCIL OF GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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

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 unearned 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.

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 \$114,602 and \$77,232 at December 31, 2017 and 2016, 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 \$2,188 and \$3,230 at December 31, 2017 and 2016, respectively, represents amounts due for program and administrative services.

EAST CENTRAL COUNCIL OF GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 2 DETAIL NOTES ON TRANSACTIONS/ACCOUNTS (Continued)

Other Receivables

General fund, other receivables consist of the following:

	2017	2016
Enterprise Zone receivables	\$ 1,750	\$ 4,750
Other miscellaneous receivables	934	71
Member government matching funds	244	-
Total Other Receivables	\$ 2,928	\$ 4,821

General Capital Assets

A summary of changes in capital assets follows:

	12/31/16 Balance	Additions	Disposals	12/31/17 Balance
Furniture and Equipment	\$ 38,843	\$ -	\$ -	\$ 38,843
Total Furniture and Equipment	38,843	\$ -	\$ -	38,843
Accumulated Depreciation	15,001	\$ 5,319	\$ -	20,320
Net Capital Assets	\$ 23,842			\$ 18,523

Depreciation expense was charged to governmental activities as follows:

	2017	2016
Agency Management and Administration	\$ 4,376	\$ 4,376
Senior Services	943	943
Total Depreciation	\$ 5,319	\$ 5,319

EAST CENTRAL COUNCIL OF GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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

General Long-Term Debt

A summary of general long-term debt transactions for the years ended December 31, 2017 and 2016 are presented below.

ECCOG's only long-term debt consists of compensated absences. Due to the nature of the obligation for compensated absences, annual requirements to amortize such obligations are not determinable; as a result, long-term debt has been presented as due within one year.

Balance 12/31/2016	\$ 8,557
Additions	1,517
Deletions	<u>(1,076)</u>
Balance 12/31/2017	<u>\$ 8,998</u>

Lease Commitments

ECCOG entered into an operating lease agreement for office space in July 2008 which was amended in November 2015; effective January 2017 the lease rate increased to \$1,300 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 and amended in November 2015; effective January 2017 the monthly lease rate increased to \$1,300 a month. The agreement has no specified end date. During 2017, ECCOG paid PDC \$15,600 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 2017, PDC paid \$47,310 to ECCOG for administrative services. As of December 31, 2017, PDC owed ECCOG \$2,188 for administrative services provided in December 2017.

EAST CENTRAL COUNCIL OF GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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

Pension Plan

ECCOG has a qualified defined contribution retirement plan, the National Employers Retirement Trust Money Purchase Plan which is 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.

All participants (employees) are fully (100%) vested in their participant account for all plan contributions made by the participant. Participants are vested in ECCOG's plan contributions to the participant's account as follows:

1 year of vesting service	=	20% vested
2 years of vesting service	=	40% vested
3 years of vesting service	=	60% vested
4 years of vesting service	=	80% vested
5 years of vesting service	=	100% vested

Forfeiture occurs upon the date when the earlier of the date a participant who terminated employment receives a distribution of the vested interest in the participant's account or the date the participant incurs five consecutive breaks in vesting service after termination of employment.

Plan benefits and amendments to the benefits are under the authority of ECCOG.

The following is a summary of pension activity:

	2017	2016
Pension expense	<u>\$ 17,121</u>	<u>\$ 16,659</u>
Mandatory contributions of participating employees	<u>\$ 14,267</u>	<u>\$ 13,883</u>
Voluntary contributions of participating employees	<u>\$ 5,191</u>	<u>\$ 4,983</u>
Covered wages	<u>\$ 285,346</u>	<u>\$ 277,656</u>

In addition, employees can may make elective contributions up to 10% of their salary to a National Employers Retirement Trust 457 Pension Plan which is also administered by Thomas F. Barrett, Inc.

ECCOG does not have access to the funds in either plan and nor does ECCOG guarantee a return on the contributions. Additional plan terms can be obtained directly from ECCOG.

EAST CENTRAL COUNCIL OF GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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

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.

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, 2017 and 2016, 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 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Colorado Department of Health & Human Services	48%	37%
Colorado Department of Local Affairs	2%	2%
Colorado Office of Economic Development	3%	2%

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, ECCOG is protected under the Public Deposit Protection Action of 1975 as discussed in NOTE 2, *Deposits and Investments*. At December 31, 2017, ECCOG had no accounts in excess of the FDIC insurance limit.

EAST CENTRAL COUNCIL OF GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

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

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 the purchase of insurance policies. 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.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 16, 2018, 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, 2017, 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 16, 2018.

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