

***Northeastern Colorado Association
of Local Governments
Fort Morgan, Colorado***

Financial Statements

For the Year Ended December 31, 2017

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July 18, 2018

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Independent Auditors' Report

Board of Directors
Northeastern Colorado Association of Local Governments
Fort Morgan, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Northeastern Colorado Association of Local Governments (the Association) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 and the major fund of the Association 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, budgetary comparison information and historical pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Association's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2018 on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
June 22, 2018

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**NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017**

This section of the Northeastern Colorado Association of Local Governments' annual financial report presents our discussion and analysis of the Northeastern Colorado Association of Local Governments' financial performance during the year ended December 31, 2017.

FINANCIAL HIGHLIGHTS

- The total net position of the Northeastern Colorado Association of Local Governments decreased by \$500,475.
- Actual revenues received were less than what had been anticipated in the budget by \$621,928.
- The actual expenditures made were less than what had been budgeted by \$741,685.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the Northeastern Colorado Association of Local Governments' basic financial statements. A comparison to the prior year's activity is provided in the document.

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 12 and 13) provide information about the activities of the Northeastern Colorado Association of Local Governments as a whole and present a longer-term view of the Northeastern Colorado Association of Local Governments' finances. Fund financial statements start on page 14. These statements tell how these services were financed in the short term as well as what remains for future spending. The Northeastern Colorado Association of Local Governments' basic financial statements are comprised of three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

THE ASSOCIATION AS A WHOLE

The government-wide financial statements are designed to provide interested readers with information about the Northeastern Colorado Association of Local Governments as a whole using accounting methods similar to those used by private-sector businesses.

The statement of net position includes all of the Northeastern Colorado Association of Local Governments' 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 the Northeastern Colorado Association of Local Governments is improving or deteriorating.

The statement of activities presents information showing how the Northeastern Colorado Association of Local Governments' net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future years (e.g. earned but unused annual leave).

As noted earlier, net position may serve over time as a useful indicator of the Northeastern Colorado Association of Local Governments' financial position. In the case of the Northeastern Colorado Association of Local Governments, liabilities exceed assets by \$1,626,606 at the close of 2017, due primarily to the implementation of GASB 68.

NET POSITION

| | Year 2017 | Year 2016 |
|--|---------------------|---------------------|
| Current assets | \$ 3,086,973 | \$ 2,682,961 |
| Capital assets | 899,487 | 844,931 |
| Total assets | 3,986,460 | 3,527,892 |
| Pension deferrals | 1,381,497 | 1,248,883 |
| Total assets and deferred outflows of resources | <u>\$ 5,367,957</u> | <u>\$ 4,776,775</u> |
| Current liabilities | \$ 1,546,429 | \$ 1,190,467 |
| Long-term liabilities | 5,372,853 | 4,599,232 |
| Total liabilities | 6,919,282 | 5,789,699 |
| Pension deferrals | 75,281 | 113,207 |
| Net investment in capital assets | 899,487 | 844,931 |
| Unrestricted net position | <u>(2,526,093)</u> | <u>(1,971,062)</u> |
| Total net position | <u>(1,626,606)</u> | <u>(1,126,131)</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 5,367,957</u> | <u>\$ 4,776,775</u> |

CHANGE IN NET POSITION

| | | |
|--|-----------------------|-----------------------|
| Program revenues | | |
| Charges for services | \$ 924,695 | \$ 838,925 |
| Operating grants and contributions | 3,694,863 | 4,547,304 |
| Capital grants and contributions | 279,671 | 549,716 |
| General revenues | | |
| Investment earnings | 178 | 491 |
| Miscellaneous | 214,762 | 191,884 |
| Gain on disposal of assets | 3,370 | - |
| Total revenues | 5,117,539 | 6,128,320 |
| Program expenses | | |
| Salaries and related costs | 3,541,184 | 3,211,655 |
| Materials and services | 1,865,349 | 2,066,018 |
| Depreciation | 211,481 | 217,062 |
| Total expenses | 5,618,014 | 5,494,735 |
| Change in net position | (500,475) | 633,585 |
| Net position at beginning of year, as originally reported | (1,126,131) | (1,859,320) |
| Prior period adjustment | - | 99,604 |
| Net position at beginning of year, as restated | <u>(1,126,131)</u> | <u>(1,759,716)</u> |
| Net position at end of year | <u>\$ (1,626,606)</u> | <u>\$ (1,126,131)</u> |

THE ASSOCIATION’S FUND

The Association’s only fund is the General Fund, which is used to account for all financial resources since there are no activities required to be separately accounted for. As the Association completed the year, its General Fund reported a fund balance of \$1,540,544, which is \$48,050 more than reported last year.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information this is essential to a full understanding of the data provided in the basic financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements and notes, this report also presents other supplementary information concerning the Northeastern Colorado Association of Local Governments’ annual budget and comparison to actual revenues and expenditures, along with schedules regarding its defined benefit pension plan.

FINANCIAL HIGHLIGHTS

In 2017, the actual revenue for all programs was \$5,117,539. The actual expenses for all programs were \$5,618,014. The excess expenses over revenues totaled \$500,475.

As noted in the audit report liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$1,626,606 by the end of 2017 due primarily to the implementation of GASB 68. Net position has decreased by \$500,475 from the end of 2016 to the end of 2017.

Employees are allowed to accumulate a maximum of 576 hours of sick leave, provided that a maximum of 480 hours may be carried forward each calendar year.

The personnel rules also provide that all employees who work twenty hours or more per week are eligible to accumulate annual leave. Based on the hours worked, the employee accumulates annual leave at a rate of 5% to 7.5% of the hours worked per pay period. NECALG has established a separate bank account in an attempt to fund the future liability for accrued compensated absences relating to employees hired prior to December 31, 1997. The balance in the account at year-end was \$100,608.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of the year, the Association had \$899,487 invested in capital assets, ranging from transportation vehicles to large passenger buses. The following table reports the Association’s capital asset activity for the year. Major asset purchases during the year included updating the county express vehicle fleet.

| | <u>Beginning Balances</u> | <u>Additions</u> | <u>Disposals</u> | <u>Ending Balances</u> |
|-------------------------------|-------------------------------|------------------|--------------------|----------------------------|
| Equipment | \$ 3,992,621 | \$ 279,671 | \$ (108,022) | \$ 4,164,270 |
| Less accumulated depreciation | <u>(3,147,690)</u> | <u>(211,481)</u> | <u>94,388</u> | <u>(3,264,783)</u> |
| Net capital assets | <u>\$ 844,931</u> | <u>\$ 68,190</u> | <u>\$ (13,634)</u> | <u>\$ 899,487</u> |

LONG-TERM DEBT

The following is a summary of the changes in long-term debt for the year:

| | <u>Beginning Balances</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balances</u> | <u>Due within one year</u> |
|--------------------------|-------------------------------|-------------------|--------------------|----------------------------|--------------------------------|
| Compensated Absences | \$ 319,774 | \$ - | \$ (54,451) | \$ 265,323 | \$ - |
| Net pension Liability | <u>4,279,458</u> | <u>828,073</u> | <u>-</u> | <u>5,107,531</u> | <u>-</u> |
| Totals | <u>\$ 4,599,232</u> | <u>\$ 828,073</u> | <u>\$ (54,451)</u> | <u>\$ 5,372,854</u> | <u>\$ -</u> |

ECONOMIC FACTORS

As noted previously NECALG Net Position decreased by \$500,475 attributed primarily to GASB 68 requirements. Readers of this Audit need to be aware and have an understanding of this requirement and not to falsely believe that the Organization is deeply in debt. In turn, the reader should refer to the ending NECALG Fund Balance which grew in this audit year to \$1,540,544. These funds that reside in the General Fund have provided the Organization with cash flow and security against liabilities such as time accruals and any costs which may be deemed disallowed by any grant source that could include but not restricted to payout of accrued leave balances at termination.

NECALG Policies as noted above allowed for employees of 20 hours or more per week to accrue vacation and sick hours that show as a liability to the Organization as a whole and to the various grants specifically. In part to reduce this liability and allow a shift of funds from leave to wages, as of January 1, 2018 only full-time employees of 40 hours per week will accrue leave. Those under 40 hours will no longer accrue leave time, but will have access to the time that had already accrued through 12/31/17.

NECALG served as recipient of low-income energy conservation grants for many years. Colorado Energy Office, which is the State of Colorado's administrative branch responsible for these funds felt that services could more efficiently be offered through other larger existing programs within the State Weatherization system. Hence funding for PY 2018 were not realized, but had been budgeted for the period July 1, 2017 through December 31, 2017. Therefore expected revenue and expenses for these grant activities were not realized for that period.

The Community Services Block Grant (CSBG) maintained funding at a level constant with past allocations. Programs and services developed in previous years were still maintained without any issues.

The Area Agency on Aging had additional funding in 2017 with an additional \$32,000 from the Homestead funding Act. These were surplus funds that had accumulated over the years in the state, and it was decided that human service divisions like the AAA to receive a large portion of the funds to help seniors with. The remaining state and federal budgets that were allotted remained basically the same as previous year with a flat funding formula. However, the federal funding was held up through the second quarter and finally released in late fall. During the year, and an audit determined that the AAA had under spent it's funding from the state and federal dollars and over charged reimbursements to the state and federal grants due to a formula glitch in the reimbursement formula. The AAA paid back the additional funds it had received and the formula was fixed in the reimbursement forms. Fortunately, the AAA was allowed to receive back all of the federal funding and all of its carry over from the previous fiscal year for the next 2017-18 fiscal year. This was really a blessing in disguise since the federal budgets really took a crazy road in 2017-18. However, the 2016-17 FY was another successful year, and the AAA was allowed to increase its voucher program over 30% with the additional monies, and the homestead funds. Seniors received additional funding for homemaker services, chore, material aid, caregiver, respite and more bus tickets. Our budget remained very stable and we still had carry over funds from the federal funding to the next FY, allowing us more sustainability for the future, but need to continue to increase staff and staff wages to better wages and to increase service delivery to the underserved seniors of the region as well as increase program spending to the point

of less than or equal to 10% carryover of all federal funds set by the state and to help spend and. From Nutrition, the Meet-N-Eat sites and home food deliveries, and frozen meals are steadily increasing monthly. The AAA has started seeing the aging populations increase as the “baby boomers” start to utilize more and more services as they age. From the ADRC (Aging and Disability Resources for Colorado) we are utilizing the remaining ADRC funds and are seeking new funding sources through Medicaid reimbursement. The state and all the ADRC’s are utilizing random time studies to report all services in hopes to collect funding from the Medicaid funding sources for and all of the pre-Medicaid work we do in assisting clients and seniors to resources through the ADRC

The Single Entry Point, Options for Long Term Care client base remains stable, but shows increases and will undoubtedly continue to increase as again, the baby boomer generation will be using more services and more and more people are utilizing Medicaid services as they acquire disabilities. Funding has remained consistent for the SEP, but with changes to a new payment structure, and new contract discussions with lots of changes to the HCPF program, we should continue with stable funding levels for years to come. However, the unspent funding is still being carried over into an account that is growing each Year. We are working hard figuring out creative and allowed spend down ideas and to decrease the funds each year to a lesser value, but leave enough for future sustainability. We have increases in staff, wages, office space, and additional clients requesting services from the SEP to provide case management. These all are slowly increasing in our region each year, but not fast enough at the current rates to actually spend down all of the allowed funds from the 1/12th contracts we currently have. It’s not a bad thing, but the account has significant growth over the past 2 years due to additional funding and re-payment of funds from HCPF that was not paid out in previous Fiscal years, and we do keep a higher client count in our case management, and have seen smaller amounts of growth in our region in SEP clients. The additional funding serves for future case management, and the sustainability of the SEP to operate for up to one year if funding should take a fall, or be changed at the federal and state level. We are among 24 other SEP’s that do have a surplus of funds, and the state is aware of it all through annual audits, this funding was paid through contracts and from previous contracts, even though its over payment, it is used for the future of the SEP and its programs, case management and in preparation of future growth and demands on the SEP. Many SEP’S in the State have larger surpluses than even us, and we all are looking to the future of expansion of case management services and how the funding may not keep up with the future demands, and the these surpluses will sustain many SEP’S in the future should funding become an issue or be cut. There is rumor of a new contract that all un-spent funds in the future will be sent back to the state (HCPF) for re-distribution each year, eliminating the carry over, and the remaining funds already accumulated will be utilized by the SEP’S and their COG’S or organizations for expansion of services, staff, and services, but only to a 2 month surplus of operations and expenses. We have spent down the funds with acquiring new staff, raising the minimum start salary for a degreed employee from \$16 to \$18 per hour, and added a customer service/ quality assurance staff person to help review all cases, clients, complaints, and paperwork to meet all requirements by the state (HCPF) in our contracts. We have also implemented a new vehicle buy program to keep newer vehicles in the fleet, and to maintain them to 3-5 years depending on wear and tear, and mileage. Plus new cyber protection systems, computers, printers, office equipment, and digitalization of all records kept in house for safer and more efficient storage for HIPPA compliance and requirements.

County Express, the Associations’ Public Transportation arm, had a full time continuous program director for 2017. Funding has remained somewhat stable offering stability, although steps are ongoing to manage the system should potential funding decreases in the future.

Smaller, yet on-going projects undertaken by the NECALG include: the Eastern Transportation Planning Region (ETPR), where the Association coordinates regionally based transportation plans and projects of CDOT’s Engineering Region 4 and the South Platte Valley Regional Transportation Association (SPVRTA). This project is an RTA in Sterling that NECALG continues to contract as the direct service provider for this fixed route system. Both projects pay direct for associated expenses.

The NECALG also serves as the administrator of the Regional Enterprise Zone. The project collects an administrative fee of 5% on “contribution” projects to help defray administrative costs. However, NECALG shares part of that fee (2%) back to the local county Economic Development offices helping to support local efforts. The 3% fee (up to \$1,000) is retained by NECALG to help meet the grant required 100% match.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview to customers, taxpayers, citizens, residents, funders and any others interested in the Northeastern Colorado Association of Local Governments' finances. Accountability for the funds received and expended by the Northeastern Colorado Association of Local Governments is taken very seriously. Questions or concerns regarding any of the information provided in this report or requests for additional financial information should be addressed to the Northeastern Colorado Association of Local Governments, 231 Main St., Suite 211, Fort Morgan, CO 80701.

Basic Financial Statements

The basic financial statements of the Association include the following:

Government-wide financial statements. The government-wide statements display information about the reporting government as a whole, except for its fiduciary activities.

Fund financial statements. The fund financial statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds, as applicable.

Notes to the financial statements. The notes communicate information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements. As such, the notes are an integral part of the basic financial statements.

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Statement of Net Position
December 31, 2017

| | |
|---|---------------------|
| <hr/> | |
| Assets | |
| Cash | \$ 2,591,428 |
| Receivables | 442,142 |
| Prepaid items | 23,414 |
| Inventories | 29,989 |
| Capital assets, net of accumulated depreciation | 899,487 |
| | <hr/> |
| Total assets | 3,986,460 |
| Deferred outflows of resources | |
| Pension deferrals | 1,381,497 |
| | <hr/> |
| Total assets and deferred outflows of resources | <u>\$ 5,367,957</u> |
| Liabilities | |
| Accounts payable | \$ 183,919 |
| Accrued salaries and benefits | 90,832 |
| Funds held for others | 14,302 |
| Unearned grant revenue | 1,257,376 |
| Unearned revenue | |
| Noncurrent liabilities | |
| Due in more than one year | 5,372,853 |
| | <hr/> |
| Total liabilities | 6,919,282 |
| Deferred inflows of resources | |
| Pension deferrals | 75,281 |
| | <hr/> |
| Net position (deficit) | |
| Net investment in capital assets | 899,487 |
| Unrestricted | (2,526,093) |
| | <hr/> |
| Total net position (deficit) | (1,626,606) |
| | <hr/> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 5,367,957</u> |

The accompanying notes are an integral part of these financial statements.

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Statement of Activities
For the Year Ended December 31, 2017

| | |
|---|----------------|
| Expenses | |
| Health and welfare | |
| Salaries and related costs | \$ 3,541,184 |
| Materials and services | 1,865,349 |
| Depreciation | 211,481 |
| | <hr/> |
| Total expenses | 5,618,014 |
| Revenues | |
| Program revenues | |
| Charges for services | 924,695 |
| Operating grants and contributions | 3,694,863 |
| Capital grants and contributions | 279,671 |
| | <hr/> |
| Total program revenues | 4,899,229 |
| General revenues | |
| Investment earnings | 178 |
| Gain on disposal of assets | 3,370 |
| Miscellaneous | 214,762 |
| | <hr/> |
| Total general revenues | 218,310 |
| | <hr/> |
| Total revenues | 5,117,539 |
| | <hr/> |
| Change in net position | (500,475) |
| Net position (deficit) at beginning of year | <hr/> |
| | (1,126,131) |
| Net position (deficit) at end of year | <hr/> |
| | \$ (1,626,606) |

The accompanying notes are an integral part of these financial statements

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Balance Sheet
Governmental Funds
December 31, 2017

| | General Fund |
|------------------------------------|---------------------|
| Assets | |
| Cash | \$ 2,591,428 |
| Grants receivable | 344,838 |
| Other receivables | 97,304 |
| Prepaid items | 23,414 |
| Inventories | 29,989 |
| | <u>\$ 3,086,973</u> |
| | |
| Liabilities and fund balance | |
| Liabilities | |
| Accounts payable | \$ 183,919 |
| Accrued salaries and benefits | 90,832 |
| Unearned grant revenue | 1,257,376 |
| Funds held for others | 14,302 |
| | <u>1,546,429</u> |
| | |
| Fund balance | |
| Nonspendable prepaid items | 23,414 |
| Nonspendable inventory | 29,989 |
| Unassigned | 1,487,141 |
| | <u>1,540,544</u> |
| | |
| Total liabilities and fund balance | <u>\$ 3,086,973</u> |

The accompanying notes are an integral part of these financial statements

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2017

Amounts reported for governmental activities in the statement of net position are different because:

| | |
|---|-----------------------|
| Total fund balance | \$ 1,540,544 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. | 899,487 |
| Net pension deferrals used in governmental activities are not financial resources and therefore are not reported in the governmental funds. | 1,306,216 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. | <u>(5,372,853)</u> |
| Net position of the governmental activities | <u>\$ (1,626,606)</u> |

The accompanying notes are an integral part of these financial statements.

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2017

| | General Fund |
|-----------------------------------|-----------------|
| Revenues | |
| Intergovernmental | \$ 3,182,370 |
| Charges for services | 924,695 |
| Miscellaneous | 1,024,108 |
| Total revenues | 5,131,173 |
| Expenditures | |
| Current | |
| Health and welfare | 4,757,801 |
| Capital outlay | 325,322 |
| Total expenditures | 5,083,123 |
| Net change in fund balance | 48,050 |
| Fund balance at beginning of year | 1,492,494 |
| Fund balance at end of year | \$ 1,540,544 |

The accompanying notes are an integral part of these financial statements.

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2017

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|--|----------------------------|
| Net change in fund balance | \$ 48,050 |
| Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceeded depreciation in the current period. | 68,190 |
| In the statement of activities, certain operating expenses - compensated absences - are measured by the amounts incurred or earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). | 54,451 |
| In the statement of activities, the net gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs by the cost of the capital assets sold. | (13,634) |
| Pension expense at the fund level represents cash contributions to the defined benefit plan. For the activity level presentation, the amount represents the actuarial costs of the benefits for the year. | <u>(657,532)</u> |
| Change in net position of governmental activities | <u><u>\$ (500,475)</u></u> |

The accompanying notes are an integral part of these financial statements.

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS

Notes to Financial Statements

Note A – Summary of significant accounting policies

This summary of the Northeastern Colorado Association of Local Governments' significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The financial statements of the Association have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the Association's accounting policies are described below.

A.1 – Reporting entity

The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity's financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

The Association has examined other entities that could be included as defined in numbers 2 and 3 above. Based on these criteria, the Association has no component units.

A.2 – Fund accounting

The Association uses funds to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types." The Association does not have any proprietary or fiduciary funds.

Governmental funds are used to account for all or most of a government's general activities. The Association's only fund is the General Fund, which is used to account for all financial resources since there are no activities required to be separately accounted for.

A.3 – Basis of presentation

Government-wide financial statements – The statement of net position and the statement of activities display information about the Association as a whole. These statements include the financial activities of the primary government except for fiduciary funds, if applicable.

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Notes to Financial Statements

Note A – Summary of significant accounting policies (continued)

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements (where applicable) but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with a brief explanation to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each program of the Association's governmental activities (the health and welfare program is the only program maintained by the Association). Direct expenses are those that are specifically associated with the program and therefore are clearly identifiable to the particular program. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of the program. Revenues, which are not classified as program revenues, are presented as general revenues of the Association, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which the program is self-financing or draws from the general revenues of the Association.

Fund financial statements – Fund financial statements report detailed information about the Association. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. The Association has only one fund, the General Fund.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources management focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balance, which reports the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

A.4 – Basis of accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

Revenues – exchange and nonexchange transactions – Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Notes to Financial Statements

Note A – Summary of significant accounting policies (continued)

available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Association, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the Association receives value without directly giving equal value in return, include county contributions, grants and other miscellaneous sources. Revenues from grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Association must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Association on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Deferred outflows/inflows of resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Unearned revenue – Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when resources are received by the Association before it has a legal claim to them, as when grant monies are received prior to meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the Association has a legal claim to the resources, the liability for unearned revenue is removed and the revenue is recognized.

Expenses/expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Notes to Financial Statements

Note A – Summary of significant accounting policies (continued)

A.5 - Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded, is not formally employed by the Association.

A.6 – Receivables

Monthly billings for services rendered through the County Express bus program are included in accounts receivable. No allowance for doubtful accounts has been provided in the accompanying financial statements since substantially all accounts are deemed by management to be collectible.

A.7 – Inventories

Inventories consist of food and supplies to be used in the various grant programs. Food held for consumption is recorded at cost if purchased, or fair value if donated. Supplies used for the weatherization program are recorded at the lower of cost or market using the first-in, first-out method. Inventories are offset by a fund balance reserve which indicates that it does not constitute “available spendable resources” even though it is a component of net current assets.

A.8 – Capital assets

Capital assets are reported in the government-wide statement of net position, but are not reported in the fund financial statements. All capital assets with a unit cost greater than \$5,000 are capitalized at cost (or estimated historical cost, if actual cost is not available) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not. Infrastructure assets, consisting of certain improvements other than buildings (such as parking facilities, sidewalks, landscaping and lighting systems) will be capitalized on a prospective basis, from 2004. Infrastructure prior to 2004 will not be capitalized.

All reported capital assets are depreciated with the exception of land costs. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Useful Lives</u> |
|--------------------|---------------------|
| Equipment | 7-10 years |

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Notes to Financial Statements

Note A – Summary of significant accounting policies (continued)

A.9 – Compensated absences

The Association reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." All full-time employees are entitled to all fringe benefits offered by the Association subject to the policy limitations established by the insurance providers. Regularly scheduled part-time employees are entitled to fringe benefits on a pro-rata basis within the policy limitations established by the insurance providers or as specified in the Association's personnel rules and regulations.

Sick Leave

All employees that work twenty hours a week or more are eligible to accumulate sick leave benefits at a rate of 5% of the hours worked per pay period with a maximum of eight hours per month. Temporary employees and employees working less than twenty hours per week are not entitled to sick leave benefits.

Employees can accumulate a maximum of 576 hours of sick leave, provided that a maximum of 496 hours may be carried forward each calendar year.

Each November, the Association will pay employees who have unused sick leave in excess of 480 hours, 100% of the difference between hours accumulated and the hours that are allowed to be carried forward to the next calendar year, at their current hourly rate.

Upon resignation, retirement or termination of the employee, the Association will pay the accumulated balance for accumulated sick leave in accordance with its personnel rules and regulations, with employees being entitled to 100% of the vested amount after working for the Association a minimum of five years.

Annual Leave

All employees who work twenty hours a week or more are eligible to accumulate annual leave.

Eligible employees with seven or less years of employment will earn annual leave at the rate of 5% of the hours worked per pay period with a maximum accumulation of eight hours of leave per month.

Eligible employees between seven and fifteen years of employment will earn annual leave at the rate of 6.25% of the hours worked per pay period with a maximum accumulation of ten hours per month.

Eligible employees with fifteen or more years of employment will earn annual leave at the rate of 7.5% of the hours worked per pay period with a maximum accumulation of twelve hours per month.

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Notes to Financial Statements

Note A – Summary of significant accounting policies (continued)

Temporary employees and part-time employees working less than 20 hours per week are not entitled to annual leave.

Upon resignation, retirement or termination of the employee, the Association will pay the accumulated balance for accumulated sick leave in accordance with its personnel rules and regulations, with employees being entitled to 100% of the vested amount after working for the Association a minimum of five years.

The Association has established a separate bank account in an attempt to fund the future liability for accrued compensated absences. The balance in the account at year-end was \$100,608, for employees hired prior to December 31, 1997.

A.10 – Accrued liabilities and long-term obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the noncurrent portion of compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources.

A.11 – Net position

Net position represents the difference between assets and liabilities. Net investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are liabilities imposed on their use either through the enabling legislation adopted by the Association or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Association does not have any restricted net position at year-end.

A.12 – Extraordinary and special items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Directors and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year.

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Notes to Financial Statements

Note A – Summary of significant accounting policies (continued)

A.13 – Fund Balance

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different type of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

Nonspendable, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned),

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the board of directors (the Association's highest level of decision-making authority),

Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned fund balance is the residual classification for the Association's general fund and includes all spendable amounts not contained in the other classifications.

Committed fund balance is established by a formal passage of a resolution. This is typically done through the adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the board of directors through adoption or amendment of the budget as intended for specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes).

When both restricted and unrestricted resources are available in governmental funds, the Association applies expenditures against restricted fund balance first, and followed by committed fund balance, assigned fund balance and unassigned fund balance.

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Notes to Financial Statements

Note B – Cash and investments

Cash and deposits

Colorado State statutes govern the Association's deposit of cash. The Public Deposit Protection Acts (PDPA) for banks and savings and loans require state regulators to certify eligible depositories for public deposits. The PDPA require eligible depositories with public deposits in excess of federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or Colorado local governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group and not held in any individual government's name. The fair value of the assets in the pool must be at least equal to 102% of the aggregate uninsured deposits.

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the Association's deposits may not be returned to it. The Association does not have a deposit policy for custodial credit risk. At year-end, the Association had total deposits of \$2,723,594, of which \$1,100,608 were insured and \$1,622,986 was collateralized with securities held by the pledging institution's trust department or agent in the Association's name.

Investments

Authorized investments – Investment policies are governed by Colorado State Statutes and the Association's own investment policies and procedures. Investments of the Association may include:

- Obligations of the United States Government such as treasury bills, notes and bonds
- Certain international agency securities
- General obligation and revenue bonds of United States local government entities
- Bankers acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

At year-end, the Association did not have any investments.

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Notes to Financial Statements

Note C – Receivables

Receivables at year-end consist of the following:

| | |
|-----------------|-------------------|
| Grant contracts | \$ 344,838 |
| Other | <u>97,304</u> |
| Total | <u>\$ 442,142</u> |

Note D – Capital assets

Capital asset activity for the year was as follows:

| | <u>Beginning Balances</u> | <u>Additions</u> | <u>Deletions/ Transfers</u> | <u>Ending Balances</u> |
|----------------------------------|-------------------------------|------------------|---------------------------------|----------------------------|
| Equipment | \$ 3,992,621 | \$ 279,671 | \$ (108,022) | \$ 4,164,270 |
| Less accumulated depreciation | <u>(3,147,690)</u> | <u>(211,481)</u> | <u>94,388</u> | <u>(3,264,783)</u> |
| Capital assets, net | <u>\$ 844,931</u> | <u>\$ 68,190</u> | <u>\$ (13,634)</u> | <u>\$ 899,487</u> |

Note E – Long-term debt

The following is a summary of the changes in long-term debt for the year:

| | <u>Beginning Balances</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balances</u> | <u>Due within one year</u> |
|--------------------------|-------------------------------|-------------------|--------------------|----------------------------|--------------------------------|
| Compensated absences | \$ 319,774 | \$ - | \$ (54,452) | \$ 265,322 | \$ - |
| Net pension liability | <u>4,279,458</u> | <u>828,073</u> | <u>-</u> | <u>5,107,531</u> | <u>-</u> |
| Totals | <u>\$ 4,599,232</u> | <u>\$ 828,073</u> | <u>\$ (54,452)</u> | <u>\$ 5,372,853</u> | <u>\$ -</u> |

The compensated absences and net pension liability attributable to the governmental activities will be liquidated by the General Fund. The Association believes that the current portion of the compensated absences is negligible and is therefore not reported.

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Notes to Financial Statements

Note F – Risk management

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Association carries commercial insurance for all risks of loss, including workers' compensation insurance. The Association contracts with a commercial insurance carrier for business personal property, computer, general liability, employee benefit liability, inland marine and automobile coverage with deductibles up to \$1,000 per claim. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the deductible in any of the past three fiscal years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

Note G – Employee benefit plans

Summary of significant accounting policies

Pensions. The Association participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General information about the pension plan

Plan description. Eligible employees of the Association are provided with pensions through the Local Government Division Trust Fund (LGDTF) – a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. Section 24-51-602, 604, 1713, and 1714.

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Notes to Financial Statements

Note G – Employee benefit plans (continued)

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve for the LGDTF.

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Notes to Financial Statements

Note G – Employee benefit plans (continued)

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions. Eligible employees and the Association are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. Section 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

| | <u>Rate</u> |
|---|----------------------|
| Employer contribution rate ¹ | 10.00% |
| Amount of employer contribution apportioned to the health care trust fund as specified in C.R.S. Section 24-51-208(1)(f) ¹ | <u>(1.02)%</u> |
| Amount apportioned to the LGDTF ¹ | 8.98% |
| Amortization equalization disbursement (AED) as specified in C.R.S. Section 24-51-411 ¹ | 2.20% |
| Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. Section 24-51-411 ¹ | <u>1.50%</u> |
| Total employer contribution to the LGDTF ¹ | <u><u>12.68%</u></u> |

¹ Rates are expressed as a percentage of salary as defined in C.R.S. Section 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Association is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the Association were \$286,477 for the year ended.

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Notes to Financial Statements

Note G – Employee benefit plans (continued)

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At year-end, the Association reported a liability of \$5,107,531 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The Association's proportion of the net pension liability was based on the Association's contributions to the LGDTF for the calendar year 2016 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2016, the Association's proportion was 0.3782 percent, which was a decrease of 0.0103 percent from its proportion measured as of December 31, 2015.

For the year, the Association recognized pension expense of \$944,010. At year-end, the Association reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ 91,053 | \$ - |
| Changes of assumptions or other inputs | 362,287 | 15,171 |
| Net difference between projected and actual earnings on pension plan investments | 625,205 | - |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 16,475 | 60,110 |
| Contributions subsequent to the measurement date | <u>286,477</u> | <u>-</u> |
| Total | <u>\$ 1,381,497</u> | <u>\$ 75,281</u> |

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Notes to Financial Statements

Note G – Employee benefit plans (continued)

\$286,477 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended</u> <u>December 31,</u> | <u>Amount</u> |
|--|---------------------|
| 2018 | \$ 568,506 |
| 2019 | 269,029 |
| 2020 | 176,378 |
| 2021 | <u>5,826</u> |
| Totals | <u>\$ 1,019,739</u> |

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

| | |
|---|---|
| Actuarial cost method | Entry age |
| Price inflation | 2.80 percent |
| Real wage growth | 1.10 percent |
| Wage inflation | 3.90 percent |
| Salary increases, including wage inflation | 3.90 – 10.85 percent |
| Long-term investment rate of return, net of pension plan investment expenses, including price inflation | 7.50 percent |
| Discount rate | 7.50 percent |
| Post-retirement benefit increases: | |
| PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic) | 2.00 percent |
| PERA benefit structure hired after 12/31/06; (ad hoc, substantively automatic) | Financed by the Annual Increase Reserve |

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA’s Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Notes to Financial Statements

Note G – Employee benefit plans (continued)

| | |
|---|---|
| Actuarial cost method | Entry age |
| Price inflation | 2.40 percent |
| Real wage growth | 1.10 percent |
| Wage inflation | 3.50 percent |
| Salary increases, including wage inflation | 3.50 – 10.45 percent |
| Long-term investment rate of return, net of pension plan investment expenses, including price inflation | 7.25 percent |
| Discount rate | 7.25 percent |
| Post-retirement benefit increases: | |
| PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic) | 2.00 percent |
| PERA benefit structure hired after 12/31/06; (ad hoc, substantively automatic) | Financed by the Annual Increase Reserve |

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014. The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Notes to Financial Statements

Note G – Employee benefit plans (continued)

- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the LGDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>30 Year Expected Geometric Real Rate of Return</u> |
|-----------------------------------|------------------------------|---|
| U.S. equity – large cap | 21.20% | 4.30% |
| U.S. equity – small cap | 7.42% | 4.80% |
| Non U.S. equity – developed | 18.55% | 5.20% |
| Non U.S. equity – emerging | 5.83% | 5.40% |
| Core fixed income | 19.32% | 1.20% |
| High yield | 1.38% | 4.30% |
| Non U.S. fixed income - developed | 1.84% | 0.60% |
| Emerging market debt | 0.46% | 3.90% |
| Core real estate | 8.50% | 4.90% |
| Opportunity fund | 6.00% | 3.80% |
| Private equity | 8.50% | 6.60% |
| Cash | <u>1.00%</u> | 0.20% |
| Total | <u><u>100.00%</u></u> | |

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Notes to Financial Statements

Note G – Employee benefit plans (continued)

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rates. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Notes to Financial Statements

Note G - Employee benefit plans (continued)

Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the LGDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

As of the prior measurement date, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use the municipal bond index rate, and therefore, the discount rate was 7.50 percent, 0.25 percent higher compared to the current measurement date.

Sensitivity of the Association's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

| | 1% Decrease <u>(6.25%)</u> | Current Discount <u>(7.25%)</u> | 1% Increase <u>(8.25%)</u> |
|--|-------------------------------|---------------------------------------|-------------------------------|
| Proportionate share of the net pension liability | \$ 7,530,821 | \$ 5,107,531 | \$ 3,100,782 |

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Notes to Financial Statements

Note G – Employee benefit plans (continued)

Pension plan fiduciary net position. Detailed information about the LGDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Payables to the pension plan

The Association did not report any payables to the pension plan at year-end.

Note H – Defined contribution pension plan

Voluntary Investment Program

Plan description. Employees of the Association that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding policy. The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The Association does not offer matching contributions to its employees. Employees are immediately vested in their own contributions and investment earnings. For the year, program members contributed \$2,023 for the Voluntary Investment Program.

Note I – Other postemployment benefits

Health Care Trust Fund

Plan description. The Association contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Notes to Financial Statements

Note I - Other postemployment benefits (Continued)

Funding policy. The Association is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Association are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the fiscal years ended December 31, 2017, 2016 and 2015, the Association's contributions to the HCTF were \$21,329, \$23,385 and \$22,504, respectively, equal to their required contributions for each year.

Note J - Commitments and contingencies

Federal and state funding

The Association receives revenues from various federal and state grant programs which are subject to final review and approval by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Association expects such amounts, if any, to be immaterial.

TABOR Amendment

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer's Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The Association may be subject to the TABOR Amendment. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation local growth. The Association feels it is exempt from the provisions of the Amendment because it receives no direct taxes and does not have the power to impose a tax levy.

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Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Schedule of Association's Proportionate Share of the Net Pension Liability
- Schedule of Association Contributions
- Budgetary Comparison Schedule – General Fund

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Schedule of the Association's Proportionate Share of the Net Pension Liability ¹
December 31, 2017

| Measurement period ending December 31, | 2016 | 2015 | 2014 |
|--|---------------|---------------|---------------|
| Association's proportion of the net pension liability | 0.3782401015% | 0.3884832526% | 0.3713281947% |
| Association's proportionate share of the net pension liability | \$ 5,107,531 | \$ 4,279,458 | \$ 3,328,248 |
| Association's covered-employee payroll | \$ 2,292,606 | \$ 2,206,282 | \$ 2,034,709 |
| Association's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 222.78% | 193.97% | 163.57% |
| Plan fiduciary net position as a percentage of the total pension liability | 73.60% | 76.90% | 80.70% |

¹ Information is not available prior to the measurement period ending December 31, 2014. In future reports, additional years will be added until 10 years of historical data are presented.

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Schedule of Association Contributions ¹
December 31, 2017

| Measurement period ending December 31, | 2016 | 2015 | 2014 |
|--|------------------|------------------|------------------|
| Contractually required contribution | \$ 314,083 | \$ 302,261 | \$ 278,755 |
| Contributions in relation to the contractually required contribution | <u>(314,083)</u> | <u>(302,261)</u> | <u>(278,755)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Association's covered-employee payroll | \$ 2,292,606 | \$ 2,206,282 | \$ 2,034,709 |
| Contributions as a percentage of covered-employee payroll | 13.70% | 13.70% | 13.70% |

¹ Information is not available prior to the measurement period ending December 31, 2014. In future reports, additional years will be added until 10 years of historical data are presented.

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
General Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2017

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|---|--------------------|--------------------|---------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental | \$ 3,879,273 | \$ 3,879,273 | \$ 3,182,370 | \$ (696,903) |
| Charges for services | 947,265 | 947,265 | 924,695 | (22,570) |
| Miscellaneous | 1,230,903 | 1,230,903 | 1,328,448 | 97,545 |
| Total revenues | 6,057,441 | 6,057,441 | 5,435,513 | (621,928) |
| Expenditures | | | | |
| Health and welfare | 5,732,644 | 5,732,644 | 5,062,141 | 670,503 |
| Capital outlay | 396,504 | 396,504 | 325,322 | 71,182 |
| Total expenditures | 6,129,148 | 6,129,148 | 5,387,463 | 741,685 |
| Excess of revenues over (under) expenditures | \$ (71,707) | \$ (71,707) | 48,050 | \$ 119,757 |
| Adjustments to GAAP Basis | | | | |
| Deduct in-kind revenues | | | (304,340) | |
| Add in-kind expenditures | | | 304,340 | |
| Change in fund balance - GAAP Basis | | | 48,050 | |
| Fund balance at beginning of year | | | 1,492,494 | |
| Fund balance at end of year | | | \$ 1,540,544 | |

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Notes to the Required Supplementary Information

Note A – Budgetary data

An annual budget is established for the Association as required by Colorado Local Government Budget Laws and is adopted on a basis consistent with accounting principles generally accepted in the United States except for short-term borrowings and repayments and in-kind sources, which are included as revenues and expenditures in the budgetary comparison schedules but do not appear in the government-wide or fund financial statements.

Expenditures may not legally exceed appropriations. Budget amounts included in the financial statements are based on the original and final amended budgets. After budget approval, the Board of Directors may approve supplemental appropriations if an occurrence, condition or need exists which was not known at the time the budget was adopted.

- On or before October 15th, the Executive Director submits a proposed budget for the following year to the Board of Directors.
- A proposed budget is made available for public inspection, and public hearings are conducted to obtain taxpayer comments.
- On or before December 31st, the Association must adopt and appropriate the budget by resolution or ordinance.

Note B – Factors affecting trends in amounts reported in the pension schedules

Information about factors that significantly affect trends in the amounts reported in the Schedule of the Association's Proportionate Share of the Net Pension Liability and the Schedule of Association Contributions is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

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Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such schedules include:

- General Fund – Budgetary Comparison Schedule – Revenues
- General Fund – Budgetary Comparison Schedule – Expenditures

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
General Fund
Budgetary Comparison Schedule - Revenues
For the Year Ended December 31, 2017

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|-----------------------------|------------------|--------------|--------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental | | | | |
| Federal grants | \$ 1,984,849 | \$ 1,984,849 | \$ 1,894,240 | \$ (90,609) |
| State grants | 1,894,424 | 1,894,424 | 1,288,130 | (606,294) |
| Total intergovernmental | 3,879,273 | 3,879,273 | 3,182,370 | (696,903) |
| Charges for services | | | | |
| County express | 801,946 | 801,946 | 782,463 | (19,483) |
| Bus fares | 87,319 | 87,319 | 66,510 | (20,809) |
| Bus tickets | 58,000 | 58,000 | 75,722 | 17,722 |
| Total charges for services | 947,265 | 947,265 | 924,695 | (22,570) |
| Miscellaneous | | | | |
| Private contributions | 10,180 | 10,180 | | (10,180) |
| Local contributions | 461,171 | 461,171 | 365,793 | (95,378) |
| Contributions - copay | 332,969 | 332,969 | 131,826 | (201,143) |
| Enterprise zone revenues | 260,000 | 260,000 | 294,545 | 34,545 |
| Earnings on investments | 33 | 33 | 178 | 145 |
| In-kind revenues | 163,000 | 163,000 | 304,340 | 141,340 |
| Sale of assets | | | 17,004 | 17,004 |
| Miscellaneous | 3,550 | 3,550 | 214,762 | 211,212 |
| Total miscellaneous | 1,230,903 | 1,230,903 | 1,328,448 | 97,545 |
| Total revenues | \$ 6,057,441 | \$ 6,057,441 | \$ 5,435,513 | \$ (621,928) |

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NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS

General Fund

Budgetary Comparison Schedule - Expenditures

For the Year Ended December 31, 2017

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|------------------------|------------------|--------------|--------------|---|
| | Original | Final | | |
| Expenditures | | | | |
| Health and welfare | | | | |
| Salaries | \$ 2,677,872 | \$ 2,677,872 | \$ 2,344,518 | \$ 333,354 |
| Personnel benefits | 777,347 | 777,347 | 593,585 | 183,762 |
| Personnel recruitment | 6,745 | 6,745 | 2,708 | 4,037 |
| Drug testing and CDL | 6,825 | 6,825 | 2,984 | 3,841 |
| Staff training | 20,050 | 20,050 | 7,504 | 12,546 |
| Software | 39,710 | 39,710 | 33,668 | 6,042 |
| Equipment maintenance | | | 20,075 | (20,075) |
| Gas | 162,057 | 162,057 | 119,875 | 42,182 |
| Gifts | 200 | 200 | 631 | (431) |
| Annual meeting | 5,156 | 5,156 | 1,018 | 4,138 |
| Miscellaneous | 38,240 | 38,240 | 19,370 | 18,870 |
| Photocopies | 8,670 | 8,670 | 2,841 | 5,829 |
| Postage | 13,083 | 13,083 | 7,006 | 6,077 |
| Permits and fees | 1,930 | 1,930 | 2,321 | (391) |
| Printing | 2,000 | 2,000 | 579 | 1,421 |
| Rent | 85,368 | 85,368 | 64,950 | 20,418 |
| Subscriptions and dues | 14,995 | 14,995 | 11,835 | 3,160 |
| Supplies - field | 38,215 | 38,215 | 41,799 | (3,584) |
| Supplies - office | 41,255 | 41,255 | 37,199 | 4,056 |
| Bank charges | 627 | 627 | 5,166 | (4,539) |
| Cell phones and pagers | 16,200 | 16,200 | 16,201 | (1) |
| Telephone service | 35,621 | 35,621 | 37,377 | (1,756) |
| Travel - board | 8,950 | 8,950 | 3,666 | 5,284 |
| Travel and per diem | 88,101 | 88,101 | 61,262 | 26,839 |
| Utilities | 14,705 | 14,705 | 12,266 | 2,439 |
| Vehicle maintenance | 134,040 | 134,040 | 136,471 | (2,431) |
| Building maintenance | 12,300 | 12,300 | 10,022 | 2,278 |
| Advertising | 7,381 | 7,381 | 5,525 | 1,856 |
| Marketing | 6,850 | 6,850 | 6,479 | 371 |
| Audit fees | 18,733 | 18,733 | 17,710 | 1,023 |
| Accounting operations | 13,529 | 13,529 | 14,118 | (589) |
| Insurance | 223,850 | 223,850 | 202,597 | 21,253 |
| Direct services | 99,687 | 99,687 | 68,599 | 31,088 |
| Respite | 7,700 | 7,700 | 5,565 | 2,135 |
| Enterprise zone costs | 235,790 | 235,790 | 303,634 | (67,844) |

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|---------------------------------|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Legal and professional services | 18,565 | 18,565 | 10,953 | 7,612 |
| Senior center operations | 10,900 | 10,900 | 8,000 | 2,900 |
| Dental | 156,623 | 156,623 | 95,792 | 60,831 |
| Eye care | 30,918 | 30,918 | 16,048 | 14,870 |
| Nutrition assistance | 18,024 | 18,024 | 9,444 | 8,580 |
| Transportation services | 108,451 | 108,451 | 97,489 | 10,962 |
| Weatherization materials | 153,957 | 153,957 | 119,808 | 34,149 |
| Contract labor | 21,304 | 21,304 | 15,464 | 5,840 |
| Food | 187,120 | 187,120 | 163,679 | 23,441 |
| In-kind support | 163,000 | 163,000 | 304,340 | (141,340) |
| Total health and welfare | 5,732,644 | 5,732,644 | 5,062,141 | 670,503 |
| Capital outlay | | | | |
| Expendable | 36,174 | 36,174 | 9,450 | 26,724 |
| Capital | 360,330 | 360,330 | 315,872 | 44,458 |
| Total capital outlay | 396,504 | 396,504 | 325,322 | 71,182 |
| Total expenditures | \$ 6,129,148 | \$ 6,129,148 | \$ 5,387,463 | \$ 741,685 |

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Single Audit Section

The Single Audit Section contains the following:

- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- 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*
- Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance
- Schedule of Findings and Questioned Costs

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

| | Federal CFDA Number | Pass-through Entity Identifying Number | Federal Expenditures |
|---|------------------------|---|-------------------------|
| U.S. Department of Transportation Pass-through program from: Colorado Department of Transportation Formula Grants for Rural Areas | 20.509 | 491001350 | \$ 487,200 |
| U.S. Department of Energy Pass through program from: Colorado Office of Energy Management and Conservation Weatherization Assistance for Low-Income Persons | 81.042 | CMS92122 | 249,364 |
| U.S. Department of Health and Human Services Pass-through programs from: Colorado Department of Human Services Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation | 93.041 | 17AACOT7EA | 949 |
| Special Programs for the Aging - Title VII, Chapter 2 - Long-Term Care Ombudsman Services for Older Individuals | 93.042 | 17AACOT7OM | 2,788 |
| Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services | 93.043 | 17AACOT3PH | 5,118 |
| National Family Caregiver Support, Title III, Part E | 93.052 | 17AACOT3FC | 18,863 |
| Low-Income Home Energy Assistance | 93.568 | CMS92122 | 287,376 |
| Community Services Block Grant | 93.569 | L15CSBG32 | 170,020 |
| Total U.S. Department of Health and Human Services | | | 485,114 |
| Aging Cluster U.S. Department of Health and Human Services Pass-through programs from: Colorado Department of Human Services Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers | 93.044 | 17AACOT3SS | 88,913 |
| Special Programs for the Aging - Title III, Part C - Nutrition Services | 93.045 | 17AACOT3CM | 120,087 |
| Nutrition Services Incentive Program | 93.053 | 17AACOT3FC | 32,457 |
| Total Aging Cluster | | | 241,457 |

See accompanying Notes to Schedule of Expenditures of Federal Awards.

| | Federal CFDA Number | Pass-through Entity Identifying Number | Federal Expenditures |
|---|------------------------|---|-------------------------|
| Medicaid Cluster | | | |
| U.S. Department of Health and Human Services | | | |
| Pass-through program from: | | | |
| Colorado Department of Health Care Policy and Financing | | | |
| Medical Assistance Program | 93.778 | 14-55370OL5 | <u>431,105</u> |
| Total Medicaid Cluster | | | <u>431,105</u> |
| Total expenditures of federal awards | | | <u>\$ 1,894,240</u> |

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Notes to Schedule of Expenditures of Federal Awards

Note A - Basis of presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Northeastern Colorado Association of Local Governments, under programs of the federal government for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Northeastern Colorado Association of Local Governments, it is not intended to and does not present the financial position, changes in net position, or cash flows of Northeastern Colorado Association of Local Governments.

Note B - Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C - Indirect cost rate

The Association has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note D - Subrecipients

The Association did not pass through any federal grants to subrecipients.



**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
Northeastern Colorado Association of Local Governments
Fort Morgan, Colorado

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 and the major fund of Northeastern Colorado Association of Local Governments (the Association), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated June 22, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's 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 Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's 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 the Association's 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.

Lauer, Szabo & Associates, P. C.

Sterling, Colorado
June 22, 2018



**Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Directors
Northeastern Colorado Association of Local Governments
Fort Morgan, Colorado

Report on Compliance for Each Major Federal Program

We have audited Northeastern Colorado Association of Local Governments' (the Association) compliance with the types of compliance requirements described in the **OMB Compliance Supplement** that could have a direct and material effect on the Association's major federal programs for the year ended December 31, 2017. The Association's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Association's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Association's compliance.

Opinion on Each Major Federal Program

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control over Compliance

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Association's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
June 22, 2018

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

Summary of audit results

1. The auditors' report expresses an unmodified opinion on the financial statements of Northeastern Colorado Association of Local Governments (the Association).
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the basic financial statements of the Association were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for the Association expresses an unmodified opinion on all major federal programs.
6. The audit did not disclose any findings relative to the major federal award programs of the Association.
7. The programs tested as major were:

| | |
|--------------------------------|-----------------|
| Formula Grants for Rural Areas | CFDA No. 20.509 |
| Medical Assistance Program | CFDA No. 93.778 |
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The Association did not qualify as a low-risk auditee.

Findings – Financial statement audit

We noted no findings that are required to be reported under *Government Auditing Standards*.

Findings and questioned costs – major federal award programs audit

We noted no findings or questioned costs that are required to be reported in accordance with the Uniform Guidance.

NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2017

2016-001 - MATERIAL WEAKNESS

Condition – During the audit engagement, it was noted that the Association had reported revenue from a nonexchange transaction in the current period that should have been accrued and reported in the prior period, resulting in a prior period adjustment in the amount of \$99,604.

Recommendation – The Association should design and implement procedures to ensure that billings to granting agencies are tracked and accrued as necessary to properly report receivables and the related revenue in the proper period.

Current Status – The Association implemented the recommended procedures in the current year. No similar findings were noted in the current year audit.