

**EAST CENTRAL**  
**COUNCIL OF GOVERNMENTS**

**BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED**  
**DECEMBER 31, 2018 AND 2017**

**EAST CENTRAL COUNCIL OF GOVERNMENTS**

**DECEMBER 31, 2018 AND 2017**

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# EAST CENTRAL COUNCIL OF LOCAL GOVERNMENTS

## COLORADO'S CENTRAL PLAINS



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### MANAGEMENT DISCUSSION AND ANALYSIS

Our discussion and analysis of the East Central Council of Governments' (ECCOG) financial performance provides an overview of ECCOG's financial activities for the year ended December 31, 2018. Please read it in conjunction with ECCOG's financial statements.

#### USING THIS ANNUAL REPORT

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

#### *Reporting the East Central Council of Governments as a Whole*

##### **Government-wide Financial Statements**

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

The Statement of Activities reports information about ECCOG as a whole showing how ECCOG's net position changed during the most recent fiscal year. All current year revenues and expenses are recorded on the accrual basis of accounting which takes into account all revenue and expenses regardless of when cash is received or paid.

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

#### *Reporting the East Central Council of Governments' Funds*

##### **Fund Financial Statements**

The fund financial statements provide detailed information about the general fund. Due to the fact ECCOG does not operate business-type activities the fund financial statements closely mirror the Statement of Net Position and the Statement of Activities; the only differences being the method of accounting used to prepare the two different sets of financials. All of ECCOG's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of ECCOG's general government operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the ECCOG’s programs. We describe the relationship and differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds (reported in the Balance Sheet and Statement of Revenue, Expenditures, and Changes in Fund Balance) on separate schedules on pages 13 and 15.

*The East Central Council of Governments as an Agency*

**Reporting the East Central Council of Governments’ Fiduciary Responsibilities**

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

**THE AGENCY AS A WHOLE**

As noted earlier, the net position may serve over time as a useful indicator of a government’s financial position. The following table provides a comparison of ECCOG’s Statement of Net Position as of December 31, 2018 and 2017. You will notice that ECCOG’s government activities net position increased by \$253 in 2018. A discussion explaining the increase in net position is provided after the table.

	2018	2017	Variance
<b>ASSETS:</b>			
Cash	\$ 115,122	\$ 114,602	\$ 520
Receivables, net	140,747	118,526	22,221
Prepaid expenses	745	2,241	(1,496)
Capital assets, net	15,182	18,523	(3,341)
Total Assets	271,796	253,892	17,904
<b>LIABILITIES:</b>			
Accounts payable and accrued expenses	46,867	37,459	9,408
Unearned revenues	51,943	46,661	5,282
Long-term liabilities:			
Due in more than one year	11,959	8,998	2,961
Total Liabilities	110,769	93,118	17,651
<b>NET POSITION:</b>			
Investment in capital assets	15,182	18,523	(3,341)
Unrestricted	145,845	142,251	3,594
Total Net Position	\$ 161,027	\$ 160,774	\$ 253

**Assets:**

Cash on hand increased by \$520 in 2018 and the receivables increased \$22,221. Cash basically remained the same although the total expenses for the year increased by \$17,454 and program revenues decreased \$5,052. The current year prepaid expense balance represents \$745 of prepaid postage.

**Liabilities:**

The increase in accounts payable and accrued expenses was \$9,408 from 2017 to 2018. The long-term liability balance of \$11,959 represents compensated absences due to employees as of December 31, 2018.

The following condensed Statement of Activities assists with identifying how the increase in net position occurred between 2018 and 2017.

	2018		2017		Variance
Expenses:					
Salaries, wages and benefits	\$ 562,387		\$ 561,045		\$ 1,342
Materials and supplies	84,256		85,234		(978)
Other program expenses	484,627		465,559		19,068
Depreciation	3,341		5,319		(1,978)
Total Expenses	1,134,611		1,117,157		17,454
Program Revenues:					
Charges for services	165,833		153,739		12,094
Operating grants, contributions and dues	963,317		980,463		(17,146)
Net program expense	(5,461)		17,045		(22,506)
General Revenues:					
Miscellaneous	5,559		7,052		(1,493)
Interest income	153		121		32
Total general revenues	5,712		7,173		(1,461)
Change in net position	253		24,217		(23,964)
Net position – beginning	160,774		136,557		24,217
Net position – ending	\$ 161,027		\$ 160,774		\$ 253

**Program Revenues:**

Operating grants and contributions decreased due to timing of requested reimbursement of grant funds for expenses incurred.

**Expenses:**

Other program expenses increased in 2018 due to an increase in Enterprise Zone contributions project payouts and increased economic development projects during 2018.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

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

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As of December 31, 2018, ECCOG had the following capital assets:

	2018		2017
Total Furniture and equipment	\$ 38,843		\$ 38,843
Less: Accumulated depreciation	23,661		20,320
Net Capital Assets	<u>\$ 15,182</u>		<u>\$ 18,523</u>

Depreciation expense for 2018 and 2017 was \$3,341 and \$5,319, respectively.

**Debt**

As of December 31, 2018, ECCOG had the following in General Long-Term Debt.

	2018		2017
Compensated absences	<u>\$ 11,959</u>		<u>\$ 8,998</u>

**EAST CENTRAL COUNCIL OF GOVERNMENTS ECONOMIC FACTORS**

East Central Council of Governments' general fund (contributions from the counties and municipalities) is expected to remain constant based on growth and migration from all counties except Elbert County (they should be growing). General fund revenues are based on population and a pre-determined assessment formula comparing population changes from year to year. The formula for the municipal contributions remains the same as in previous years; however, unless growth in Elbert County exceeds the declining population in the other three counties, ECCOG could see a slight decrease or remain steady. We experienced a reduction in Burlington’s 2018 contributions due to the correctional facility closure in 2016. The dues formula for the four counties has remained unchanged since 2015. Each county pays a \$10,000 base and then an additional flat dollar amount depending on population size. This formula resulted in county contributions totaling \$55,000 which remains the same for 2019. All counties and municipalities are paying their dues each year billed each quarter.

ECCOG’s overall 2019 budget shows approximately \$110,000 more expenses than 2018 due in large part to the Title III project income carry over funds and offsetting expenses. A modest balance remains in the Broadband fund which ends in September 2019. We realize that future

funding availability may be less than projected in 2019-2020 and could be reduced at any given time, therefore management considers offering new programs to create a more stable income for ECCOG. Closely monitoring all funds will keep ECCOG operating and potentially growing to mitigate concerns of reduced funding.

ECCOG continues to develop the broadband effort in partnership with local internet service providers and our interested regional partners who serve on the steering committee. To end the educational phase this year, we are developing a two-minute video and info-graphic to use across the region. The Broadband fund will close out in September 2019 on schedule.

In 2019, we participated in the Opportunity Zone (OZ) administration assigned to Enterprise Zone (EZ) administrators even though there was no financial support. Efforts continue today on creating a prospectus to market the region even though few areas are approved OZ census tracts. Additionally, we plan to market the EZ, Foreign Trade Zone and OZ in a marketing piece to attract investments. We have eleven active EZ Contribution Projects and work is progressing to add four new projects in 2019 with new applications. An EZ boundary amendment has been submitted to allow the portion of Cheyenne County that had too much growth back in 2015 and was removed from eligibility. That decision should be made in June 2019 which may result in the design of new EZ brochures and marketing that change.

The former 2015 Community Development Block Grant (CDBG) contract #14-591 expired in June 2018 and a new CDBG application was submitted and subsequently approved. The new CDBG contract #18-611 is available for funding loans July 2018 through June 2020. The small amount of CDBG loan funds unused has been de-obligated as of February 2019. Loans made from the CDBG fund earn a 16% administrative fee to help cover administration expenses. Administrative dollars from the revolved loan program are available to offset expenses today. Prairie Development Corporation maintains a good balance of other less restrictive funds to meet the needs outside of the CDBG. Another fund capitalized by the state of Colorado for micro-enterprise businesses was established in 2017 and was available until December 31, 2018. This fund pool is now closed, and no new money has been allocated. PDC could lend up to \$50,000 as character loans to Region 5 with little to no collateral. PDC funded two loans for \$50,000 each and used the High Demand funds for a third loan of \$25,000. Loan purpose may include construction loans which are too expensive because of Davis-Bacon Wage Rules which add monitoring and high wage costs to a project.

The 2019 part-time salary schedule increased the base wage to \$11.10 per hour as approved by the board on September 6, 2017. A final part-time wage increase in 2020 to \$12.00, as required by law by, will be made in September 2019. The full-time salary schedule was approved November 7, 2018 by the ECCOG board for 2019 thru 2020.

ECCOG's portion of full-time staff health insurance contribution remains at \$450 as modified in 2015 and should remain unchanged. Staffing costs in 2019 should remain steady into 2020. We hired a new staff member for the Area Agency on Aging (AAA) department but that person did not come on board full time until August 2018 so costs were less in 2018 and will increase in 2019. The Fiscal Officer continues the task of reimbursement requests for the aging division and a larger portion of her salary is attributed to that work. The new receptionist hired in fall of 2017 is working fine and being cross trained in operations as well as helps in the AAA functions when needed. As we prepare for retirements, written procedures become more necessary and still

harder to complete but it is progressing for some job descriptions. Enhancing staff skillsets to prepare for the future and what that might bring our way is a need still to be addressed.

Our work with the Economic Development Administration (EDA) continues into 2019 knowing our current funding ends in June 2019. A new application was submitted for \$210,000 of EDA funds in April 2019 with a match split of 80/20 based on distress criteria qualifications. Lincoln County's distress numbers were the magic number to allow us to move to the lower match level. We may use those cost savings for the new program we are considering to enhance travel in our region called TravelStorys, a digital story-telling app. We have made several successes in the four counties such as growing the Our Journey tourism program, updating to new websites for ECCOG and PDC, participating in the broadband initiative to improve and build business opportunities, and keeping the municipal and county projects initiated by themselves advancing. We have earmarked the ECCOG contributions as EDA grant match at the current level of \$52,500 for three years or 20% with the new application. The EDA stated amount available each of the current three years is projected at \$70,000. General COG funds or contributions not used for EDA match may be used elsewhere either as match or for direct costs that are not covered by the EDA grant contract.

All businesses experience times of transition, growth, retraction or stagnation while adjusting to the challenges of the economy and work environment. Currently, the ECCOG directors are planning for change and adjusting to meet greater demands on our staff and programs by participating in training, thinking creatively, acting responsibly, and proactively planning. The AAA program is looking at adding more meal sites, evening meal options, and a voucher program for meals and transportation. We are marketing our AAA and ECCOG services with targeted outreach. Prairie Development Corporation is partnering with ECCOG in more economic development efforts like the Economic Development Council of Colorado Forum held in March 2019 in Hugo. This Forum brought awareness to the region and to our programs using displayed information and as sponsors of the event.

Financial opportunities or threats will help us be better stewards of the funds we have and those we aim to seek when we keep them in mind. Preparation dictates that we have procedures, cross training, and backup plans in place to be resilient to the unforeseen or unpredictable. We are evaluating our computer technology and backup applications as technology changes constantly. We want to maintain our programs and be sustainable and we work toward this objective with goals in mind.

**CONTACTING THE EAST CENTRAL COUNCIL OF GOVERNMENTS' FINANCIAL MANAGEMENT**

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

Sincerely,



Candace M Payne  
Executive Director  
[cpayne@prairiedevelopment.com](mailto:cpayne@prairiedevelopment.com)



Paulette Thompson  
Fiscal Officer  
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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
East Central Council of Governments

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Central Council of Governments as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents. The prior year summarized comparative information has been derived from the East Central Council of Governments' 2017 financial statements and, in our report dated May 16, 2018; we expressed an unqualified opinion on those financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the East Central Council of Governments, as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 – 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Parker, Colorado  
May 1, 2019

***BASIC FINANCIAL STATEMENTS***

***GOVERNMENT-WIDE FINANCIAL STATEMENTS***

**EAST CENTRAL COUNCIL OF GOVERNMENTS**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2018 AND 2017**

	Governmental Activities	
	2018	2017
<b>ASSETS:</b>		
Cash	\$ 115,122	\$ 114,602
Receivables, net	140,747	118,526
Prepaid expenses	745	2,241
Capital assets, net	15,182	18,523
	271,796	253,892
<b>LIABILITIES:</b>		
Accounts payable and accrued expenses	46,867	37,459
Unearned revenue	51,943	46,661
Long-term liabilities:		
Due in more than one year	11,959	8,998
	110,769	93,118
<b>NET POSITION:</b>		
Investment in capital assets	15,182	18,523
Unrestricted	145,845	142,251
	\$ 161,027	\$ 160,774
	\$ 161,027	\$ 160,774

**EAST CENTRAL COUNCIL OF GOVERNMENTS**

**STATEMENTS OF ACTIVITIES**

**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**2018**

	Total	Agency Management and Administration	Programs			
			Aging Services	Economic Development	Transportation Services	Housing Services
Expenses:						
Salaries, wages and benefits	\$ 562,387	\$ 10,035	\$ 298,357	\$ 141,957	\$ 88,026	\$ 24,013
Materials and supplies	84,256	-	84,256	-	-	-
Other program expenses	484,627	75,907	176,046	145,175	65,162	22,336
Depreciation	3,341	2,398	943	-	-	-
Total expenses	1,134,610	88,339	559,602	287,132	153,188	46,349
Program revenues:						
Charges for services	165,833	11,614	99,795	-	7,224	47,201
Operating grants, contributions and dues	963,317	76,926	453,535	286,893	145,964	-
Net program expense	(5,459)	201	(6,273)	(240)	-	853
General Revenues:						
Miscellaneous	5,559					
Interest income	153					
Total general revenues	5,712					
Change in net position	253					
Net position - beginning	160,774					
Net position - ending	\$ 161,027					

**2017**

	Total	Agency Management and Administration	Programs			
			Aging Services	Economic Development	Transportation Services	Housing Services
<b>Expenses:</b>						
Salaries, wages and benefits	\$ 561,045	\$ 7,461	\$ 290,677	\$ 142,938	\$ 94,391	\$ 25,577
Materials and supplies	85,234	-	85,234	-	-	-
Other program expenses	465,559	58,313	219,518	101,217	65,210	21,302
Depreciation	5,319	4,376	943	-	-	-
Total expenses	1,117,157	70,150	596,372	244,155	159,601	46,879
<b>Program revenues:</b>						
Charges for services	153,739	11,112	91,083	-	5,276	46,268
Operating grants, contributions and dues	980,463	77,459	504,507	244,155	154,341	-
Net program expense	17,045	18,421	(782)	-	16	(611)
<b>General Revenues:</b>						
Miscellaneous	7,052					
Interest income	121					
Total general revenues	7,173					
Change in net position	24,217					
Net position - beginning	136,557					
Net position - ending	\$ 160,774					

***BASIC FINANCIAL STATEMENTS***

***FUND FINANCIAL STATEMENTS***

**EAST CENTRAL COUNCIL OF GOVERNMENTS**  
**BALANCE SHEETS**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2018 AND 2017**

	General Fund	
	2018	2017
<b>ASSETS:</b>		
Cash	\$ 115,122	\$ 114,602
Grants receivable	130,957	113,411
Receivable from PDC	2,468	2,188
Other receivables	7,321	2,928
Prepaid expenses	745	2,241
	<b>\$ 256,614</b>	<b>\$ 235,370</b>
 <b>LIABILITIES AND FUND BALANCES:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 46,867	\$ 37,460
Unearned revenue	51,943	46,661
	<b>98,810</b>	<b>84,121</b>
 <b>Fund Balance:</b>		
Nonspendable	745	2,241
Unassigned	157,060	149,008
	<b>157,804</b>	<b>151,249</b>
Total Fund Balance	<b>\$ 256,614</b>	<b>\$ 235,370</b>
Total Liabilities and Fund Balance	<b>\$ 256,614</b>	<b>\$ 235,370</b>

**EAST CENTRAL COUNCIL OF GOVERNMENTS**  
**RECONCILIATION OF THE BALANCE SHEETS -**  
**GOVERNMENTAL FUNDS**  
**TO THE STATEMENTS OF NET POSITION**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
Total fund balance - general fund	\$ 157,804	\$ 151,249
<p>Amounts reported for <i>governmental activities</i> in the statement of net position are different because:</p>		
<p>Governmental funds report capital outlay as expenditures. However, in the statement of net position, the cost of those assets is capitalized and depreciated over their estimated useful lives. This is the net amount of the capital outlays being capitalized and depreciated.</p>	15,182	18,523
<p>Only the current portion of the liability for compensated absences are reported in the governmental funds; however, the entire balance for compensated balances is reported in the statement of net position. This is the amount for total compensated absences due in more than one year that is reported in the statement of net assets.</p>	(11,959)	(8,998)
Net position of governmental activities	\$ 161,027	\$ 160,774

**EAST CENTRAL COUNCIL OF GOVERNMENTS**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	General Fund	
	2018	2017
<b>REVENUES:</b>		
Intergovernmental Revenues:		
Grants	\$ 680,159	\$ 734,570
Grant matching contributions	104,281	118,168
Council of governments dues	76,926	77,459
Charges for services	165,833	153,739
Contributions	101,951	50,265
Miscellaneous revenue	5,559	7,052
Interest income	153	121
	<u>1,134,865</u>	<u>1,141,374</u>
<b>EXPENDITURES:</b>		
Current:		
Agency management and administration	82,981	65,332
Aging services	558,660	595,430
Economic development	287,132	244,155
Transportation services	153,188	159,601
Housing services	46,349	46,879
	<u>1,128,310</u>	<u>1,111,397</u>
NET CHANGE IN FUND BALANCE	<u>6,555</u>	<u>29,977</u>
FUND BALANCE, BEGINNING OF YEAR	<u>151,249</u>	<u>121,272</u>
FUND BALANCE, END OF YEAR	<u>\$ 157,804</u>	<u>\$ 151,249</u>

**EAST CENTRAL COUNCIL OF GOVERNMENTS**  
**RECONCILIATION OF THE STATEMENTS OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCE -**  
**GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
Net change in fund balance - general fund	\$ 6,555	\$ 29,977
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because:</p> <p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as a depreciation expense. This is the amount by which current year depreciation exceeds current year capital outlays and the net of the capital lease payments expensed in the statement of revenues, expenditures, and changes in fund balance verses the amount expensed in the statement of activities.</p>		
	(3,341)	(5,319)
<p>Only the current portion of the liability for compensated absences are reported in the governmental funds; however, the entire balance for compensated balances is reported in the statement of net assets. This is the amount by which the compensated balances changed from the prior year to the current year.</p>		
	(2,961)	(441)
Change in net position of governmental activities	\$ 253	\$ 24,217

**EAST CENTRAL COUNCIL OF GOVERNMENTS**  
**STATEMENTS OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2018 AND 2017**

	Agency Fund	
	2018	2017
<b>ASSETS:</b>		
Cash	\$ 21,418	\$ 16,597
Total Assets	\$ 21,418	\$ 16,597
<b>LIABILITIES:</b>		
Due to other governments/groups	\$ 21,418	\$ 16,597
Total Liabilities	\$ 21,418	\$ 16,597

**EAST CENTRAL COUNCIL OF GOVERNMENTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

**NOTE 1**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The accompanying financial statements present all the activities of the East Central Council of Governments (ECCOG). ECCOG does not have any component units over which it exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with ECCOG (as distinct from legal relationships).

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

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

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

**Basis of Presentation**

Government-wide Financial Statements:

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

**EAST CENTRAL COUNCIL OF GOVERNMENTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

**Basis of Presentation (Continued)**

Fund Financial Statements:

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

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

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

The funds of the financial reporting entity are described below:

Governmental Funds:

General Fund:

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

**EAST CENTRAL COUNCIL OF GOVERNMENTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

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

Agency Funds:

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

**Measurement Focus and Basis of Accounting**

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

Measurement Focus:

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

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

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

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

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

**EAST CENTRAL COUNCIL OF GOVERNMENTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

Basis of Accounting:

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

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

**Assets, Liabilities and Equity**

Cash:

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

Receivables:

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

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

**EAST CENTRAL COUNCIL OF GOVERNMENTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

Fixed Assets:

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

Government-wide Statements:

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

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

Fund Financial Statements:

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

Long-term Debt:

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

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

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

**EAST CENTRAL COUNCIL OF GOVERNMENTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

Compensated Absences:

ECCOG's liability for compensated absences consists of accrued vacation pay due to employees.

Full-time employees may accrue vacation in excess of 80 hours throughout the calendar year; however, only a maximum of 80 hours may be carried over to the next year by the employee; thereby limiting ECCOG's liability to a maximum of 80 hours per each full-time employee. The liability for these compensated absences is recorded as long-term debt in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Equity Classifications:

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

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

*Unrestricted* – The remaining net position that does not meet the definition of “investment in capital assets.”

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

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

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

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

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

**EAST CENTRAL COUNCIL OF GOVERNMENTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

**Revenues, Expenditures and Expenses**

Program Income:

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

Expenditures/Expenses:

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

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

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

**Deposits and Investments**

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

ECCOG's cash balance of \$115,112 and \$114,602 at December 31, 2018 and 2017, respectively, was insured or collateralized with securities held by the entity or by its agent in the entity's name.

**Receivable from Prairie Development Corporation**

The receivable from Prairie Development Corporation (PDC) of \$2,468 and \$2,188 at December 31, 2018 and 2017, respectively, represents amounts due for program and administrative services.

**EAST CENTRAL COUNCIL OF GOVERNMENTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

**Other Receivables**

General fund, other receivables consist of the following:

	2018	2017
Enterprise Zone receivables	\$ 7,100	\$ 1,750
Member government matching funds	163	244
Other miscellaneous receivables	58	934
Total Other Receivables	\$ 7,321	\$ 2,928

**General Capital Assets**

A summary of changes in capital assets follows:

	12/31/17 Balance	Additions	Disposals	12/31/18 Balance
Furniture and Equipment	\$ 38,843	\$ -	\$ -	\$ 38,843
Total Furniture and Equipment	38,843	\$ -	\$ -	38,843
Accumulated Depreciation	20,320	\$ 3,341	\$ -	23,661
Net Capital Assets	\$ 18,523			\$ 15,182

Depreciation expense was charged to governmental activities as follows:

	2018	2017
Agency Management and Administration	\$ 2,398	\$ 4,376
Senior Services	943	943
Total Depreciation	\$ 3,341	\$ 5,319

**EAST CENTRAL COUNCIL OF GOVERNMENTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

**General Long-Term Debt**

A summary of general long-term debt transactions for the years ended December 31, 2018 and 2017 are presented below.

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

Balance 12/31/2017	\$ 8,998
Additions	11,941
Deletions	<u>(8,980)</u>
Balance 12/31/2018	<u>\$ 11,959</u>

**Lease Commitments**

ECCOG entered into an operating lease agreement for office space in July 2008 which was amended in November 2015; the monthly lease rate increased to \$1,300 in January 2017 and \$1,400 in January 2018. The lease has no specified termination date.

**Related Party Transactions**

ECCOG leases office space from PDC. An agreement was signed between the two organizations in July 2008 and amended in November 2015. The agreement has no specified end date. During 2018, ECCOG paid PDC \$16,700 for lease expense.

In addition, ECCOG provides administrative services for PDC. ECCOG invoices PDC on a monthly basis for all expenses incurred on behalf of PDC. During 2018, PDC paid \$46,921 to ECCOG for administrative services. As of December 31, 2018, PDC owed ECCOG \$2,468 for administrative services provided in December 2018.

**EAST CENTRAL COUNCIL OF GOVERNMENTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

**Pension Plan**

ECCOG has a qualified defined contribution retirement plan, the National Employers Retirement Trust Money Purchase Plan, which is administered by Thomas F. Barrett Inc.

In accordance with the terms of the plan, ECCOG and its full-time employees are required to make contributions of 6% and 5% of salaries paid, respectively.

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

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

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

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

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

The following is a summary of pension activity:

	2018	2017
Money purchase pension expense	<u>\$ 16,714</u>	<u>\$ 17,121</u>
Mandatory money purchase pension contributions of participating employees	<u>\$ 13,928</u>	<u>\$ 14,267</u>
Voluntary pension plan contributions of participating employees	<u>\$ 5,394</u>	<u>\$ 5,191</u>
Covered wages	<u>\$ 278,556</u>	<u>\$ 285,346</u>

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

**EAST CENTRAL COUNCIL OF GOVERNMENTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

**Budgetary Data**

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

**Management Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at December 31, 2018 and 2017, and revenues and expenditures during the year then ended. The actual outcome of the estimates could differ from the estimates made in the preparation of the financial statements.

**Economic Dependency**

Three Colorado governmental agencies provided ECCOG with most of their grant funding in 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Colorado Department of Health & Human Services	34%	48%
Colorado Office of Economic Development	3%	3%
Colorado Department of Local Affairs	1%	2%

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

**Concentration of Credit Risk**

ECCOG's financial instruments that are exposed to concentrations of credit risk consist of cash and grants receivable. ECCOG places its cash with high credit quality institutions. ECCOG routinely assesses the financial strength of its donors and, as a consequence, believes that its grants receivable credit risk exposure is limited. At times, cash may be held in accounts in excess of the FDIC insurance limit of \$250,000. However, ECCOG is protected under the Public Deposit Protection Action of 1975 as discussed in NOTE 2, *Deposits and Investments*. At December 31, 2018, ECCOG had no accounts in excess of the FDIC insurance limit.

**EAST CENTRAL COUNCIL OF GOVERNMENTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

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

**Risk of Loss**

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

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 1, 2019, the date the financial statements were available to be issued.

**Taxpayer's Bill of Rights (TABOR)**

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

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

***SUPPLEMENTARY INFORMATION***

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

Board of Directors  
East Central Council of Governments

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the East Central Council of Governments, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the East Central Council of Governments' basic financial statements, and have issued our report thereon dated May 1, 2019.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*May Jackson Hendrick, LLC*