

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

**BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED**  
**DECEMBER 31, 2019 AND 2018**

**EAST CENTRAL COUNCIL OF GOVERNMENTS**

**DECEMBER 31, 2019 AND 2018**

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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, 2019. 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 Government-wide financial statements begin on page 10 and provide information about the activities of ECCOG as a whole and present a longer-term view of ECCOG's finances. The Fund financial statements begin on page 12 and provide information about ECCOG's governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The remaining Fiduciary financial statements begin on page 16 and provide 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 Government-wide financial statements; 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, 2019 and 2018. You will notice that ECCOG’s government activities net position increased by \$38,746 in 2019. A discussion explaining the increase in net position is provided after the table.

	2019	2018	Variance
<b>ASSETS:</b>			
Cash	\$ 14,327	\$ 115,122	\$ (100,795)
Receivables, net	263,032	140,747	122,285
Prepaid expenses	2,512	745	1,767
Capital assets, net	39,070	15,182	23,888
Total Assets	318,941	271,796	47,145
<b>LIABILITIES:</b>			
Accounts payable and accrued expenses	45,151	46,867	(1,716)
Unearned revenues	63,195	51,943	11,252
Long-term liabilities:			
Due in more than one year	10,822	11,959	(1,137)
Total Liabilities	119,168	110,769	8,399
<b>NET POSITION:</b>			
Investment in capital assets	39,070	15,182	23,888
Unrestricted	160,703	145,845	14,858
Total Net Position	\$ 199,773	\$ 161,027	\$ 38,746

**Assets:**

Cash on hand decreased by \$100,795 in 2019 and the receivables increased \$122,285. The decrease in cash was a direct result of an out flux of cash at December 31, 2019 due to an untimely delay of grants receivable payments. The current year prepaid expense balance represents \$1,055 of prepaid state comp insurance and \$1,457 of prepaid postage. Capital assets reflect an increase due to the purchase of a new vehicle.

**Liabilities:**

The decrease in accounts payable and accrued expenses was \$1,716 from 2018 to 2019. The long-term liability balance of \$10,822 represents compensated absences due to employees as of December 31, 2019.

The following condensed Statements of Activities assists with identifying how the increase in net position occurred between 2019 and 2018.

	2019	2018	Variance
Expenses:			
Salaries, wages and benefits	\$ 618,252	\$ 562,389	\$ 55,863
Materials and supplies	123,192	84,256	38,936
Other program expenses	641,965	484,625	157,340
Depreciation	6,388	3,341	3,047
Total Expenses	1,389,795	1,134,610	255,186
Program Revenues:			
Charges for services	184,136	165,834	18,302
Operating grants, contributions and dues	1,242,777	963,319	279,458
Net program expense	37,117	(5,459)	42,574
General Revenues:			
Miscellaneous	1,496	5,559	(4,063)
Interest income	133	153	(20)
Total general revenues	1,629	5,712	(4,083)
Change in net position	38,746	253	38,493
Net position – beginning	161,027	160,774	253
Net position – ending	\$ 199,773	\$ 161,027	\$ 38,746

**Program Revenues:**

Operating grants and contributions increased to accommodate the purchase of a new van and implementation of a pilot meal program through the Title III program; furthermore, the FTA program purchased an additional Outback Express vehicle in 2019 which was run through the ECCOG's financials.

**Expenses:**

Expenses overall increased in 2019 due to increased salaries, wages and benefits and program expenses related to the increase of services provided in 2019.

**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 calendar 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, 2019, ECCOG had the following capital assets:

	2019	2018
Total Furniture and equipment	\$ 69,119	\$ 38,843
Less: Accumulated depreciation	30,049	23,661
Net Capital Assets	<u>\$ 39,070</u>	<u>\$ 15,182</u>

Depreciation expense for 2019 and 2018 was \$6,388 and \$3,341, respectively.

**Debt**

As of December 31, 2019, ECCOG had the following in General Long-Term Debt.

	2019	2018
Compensated absences	<u>\$ 10,822</u>	<u>\$ 11,959</u>

**East Central Council of Governments Economic Factors 4-21-2020**

East Central Council of Governments' general fund (contributions from the counties and municipalities) remains steady as compared to previous years based on growth and migration from all counties except Elbert County who continues to experience an increase in population. General fund revenues are based on population and a pre-determined assessment formula comparing population changes from year to year. The formula for the municipal contributions remains the same as in previous years, however unless growth in Elbert County exceeds the declining population in the other three counties, we could see a slight decrease or remain steady. Recent discussion in Kit Carson County leads us to think Burlington’s correctional facility that closed in 2016 could reopen but that remains to be seen. 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 results in county contributions totaling \$55,000 which is anticipated to be the same for 2020. Quarterly billing for counties and

municipalities dues seems to work best for them and ECCOG. Dues are essential to our operation as they are used to match other funds across all programs.

Funding increases are already being awarded in the year 2020 to cover costs associated with COVID-19 through CDOT and AAA. Although the virus arrived in 2019 to the US, it was not until 2020 that we started to be impacted in our operations. The 2021 ECCOG budget is currently being developed with special allowances due to COVID-19 and its impact on our programs and operations. More funds are being funneled to our operation to mitigate the virus spread for tasks such as cleaning buses between rides/riders, personal protective equipment (masks and gloves to protect staff), and food costs. Fund monitoring and strategic planning will provide ECCOG operating and administrative staff with a resilient future. The Broadband Strategic Plan ended with all funds expended by 9-30-2019. Now, that Plan is seeing its value due to the high demand for broadband as schools educate via the web and people are working remotely. Internet services have been expanded based on the changes in education programs and the Stay at Home rules issued by many states in March 2020.

Cash flow was very tight at the end of 2019 because of an unusual circumstance when the Dynamic Dimension bus payment of \$63,001 and repayment of the State Unit on Aging Cash Advance of \$22,990 culminated at the end of the year. Our cash balance was taken to a very low value. The Cash Advance would only increase if not repaid in 2019 and the bus payment needed paid, so a short-term, no-cost loan was executed between Prairie Development Corporation to ECCOG in 2019. The loan document was signed in 2019 but not funded until January 2020 to meet the needs of payroll and Accounts Payable for December 2019. Subsequently, the bus payment reimbursement took much longer than expected but has since been repaid and the loan was paid in full to PDC in March 2020. For future bus purchases, ECCOG has applied for and been approved to a new funding mechanism that should not cause this to happen again. The Cash Advance option is no longer available.

In 2019, the East Central EZ submitted an Enterprise Zone boundary amendment to allow all of Cheyenne County back into the zone. That boundary change led us to print new brochures which depicted the boundary line modification and thereby market the whole zone with this inclusion of Cheyenne County as a whole. Enterprise Zone Contribution Projects decreased in 2019 as projects expired and must submit new applications every five years. Projects without the required annual amount or number of contributions may end unless a reasonable explanation is provided. Four projects ended in December which left East Central EZ with seven active projects receiving contributions to continue their economic development operations into 2020. The Opportunity Zone tool has seen very little results in our region, but we are hopeful new projects in Cheyenne and Lincoln counties will materialize as they are two approved tracts. The Foreign Trade Zone is also still available in Lincoln County to help attract businesses to the county.

The new CDBG contract #18-611 is available for funding loans through November 2020 of which ECCOG and Prairie Development Corp are sub-recipients for. In 2019 one loan under the Micro-Enterprise Program was funded as another application using all the funds and requiring a contract amendment for more funds was considered. The large loan is still in process at the time of this report. CDBG loans earn an 16% administrative fee to help cover administration expenses. Administrative dollars from the Revolved loan program are available also to offset expenses today. Prairie Development Corporation maintains a good balance of other less restrictive funds to meet the needs outside of the CDBG. The State of Colorado established a micro-enterprise business

fund in 2017 that was available until December 31, 2018. This fund pool was closed until Fall 2019 until it was re-capitalized, but the new contract awaits execution in 2020. PDC's portion will be \$38,400 for character loans in Region 5 with little to no collateral however the new funds require 50-50 match. Two loans were funded in early 2020 with matching funds from Revolved so only \$13,400 remain available in PDC's allotment today. Loan purposes include construction loans which are cost prohibitive due to Davis-Bacon Wage Rules because of monitoring and high wage costs for the loan project.

The 2020 ECCOG Salary Schedule for part-time staff increased the base wage to \$12.00 per hour was approved by the board on August 7, 2019. The full-time salary schedule was approved August 7, 2019 by the ECCOG board for years 2019 through 2021. These will be reviewed again in 2020 and 2021 as required. It is expected to continue the same 3% increase from the base salary as has been the formula for many years.

ECCOG's portion of full-time staff health insurance contribution was increased to \$656 as modified for 2020 to cover 100% of the employee only premium. The board adopted the change in their November 6, 2019 board meeting. 2020 and 2021 staffing costs should increase as we hire new staff to help with AAA operations based on retirement plans and operation expansions. Written procedures remain a concern, but we are seeing some progress in 2019 and into 2020. The COVID situation demonstrates a better need for the procedures now.

Partnering with the Economic Development Administration to maintain and improve the Comprehensive Economic Development Strategy (CEDS) for our region is a priority. Further development of the resiliency plan and adding more partners is a goal for 2020. The COVID virus that is believed to have started in the US in November 2019 will become a larger player in our CEDS in 2020 along with resiliency and strategy implementation going forward. The new EDA Peer Review process began in 2012 with partner assignments; Northwest Missouri COG is our review partner. Our first remote meeting was scheduled for April 2020 to discuss each other's CEDS but has been rescheduled due to the demands of COVID. The second phase of TravelStorys (TS), a digital story-telling app, begun in late 2019 and should wrap up in spring or summer 2020. The first TS tour is running now but the virus has stopped travel for a time. The Our Journey tourism program works in conjunction with the TravelStorys app, so increases are expected through both programs. These programs are funded in part by EDA but conducted under the EDA program. ECCOG dues are designated as EDA grant match at the current level of \$52,500 for three years (\$17,500 per yr.) or 20% with the new application. The EDA portion each of the current three years is projected at \$70,000. General funds or dues/contributions not used for EDA match are used as match elsewhere or for direct costs that are not covered by the EDA grant contract.

In 2019, ECCOG and PDC co-sponsored the Economic Development Forum in Hugo which had over 200 attendees from the region. This was a real boost for the area and feedback showed the event was well received and provided good value to attendees. Work continues for the ECCOG directors in planning for the future of the operation and staff. We remain hopeful that we can open a senior center in Elizabeth in 2020 taking advantage of the opportunity of those who might be looking for a job and may be ready for a change. Plus, our operations have been maintained through the COVID 19 situation which may give steady employment to some. We look to expand meal services and add a voucher program for meals and transportation. Targeted outreach

continues as our AAA and ECCOG services are marketed to increase participation in the variety of programs for elderly and at-risk populations.

ECCOG staff helped with the planning of the Northeast Rural Philanthropy Days event originally planned for June 2020 in Lincoln County. Candace Payne serves as co-chair with Troy McCue for the event to be hosted in Limon and Hugo. COVID-19 has caused this event to be postponed until 2021. ECCOG staff helped develop non-profit, sponsor and donor lists and Candace headed the fundraising committee when other steering committee members could no longer serve. This event will bring several hundred attendees to the region to meet grant makers to build capacity across northeastern Colorado when it is held. We are excited to support the effort which helps several partner entities.

As 2019 ended and we are through the first quarter of 2020, we know our future looks very different based on COVID-19 and the potential expanded operations of ECCOG. Our participants are the people most at risk for contracting COVID-19. We will diligently work to fulfill our service obligations to the elderly while maintaining protocols to protect them and our staff. Procedures and processes to provide services to the residents of Region 5 will follow the state and Federal guidelines that keep us faithful to the cause while holding us accountable. Our results are evident when services expand and participation increases. The staff believes in the work of ECCOG and that should direct our steps into 2021.

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



Paulette Thompson  
Fiscal Officer  
[pthompson@prairiedevelopment.com](mailto:pthompson@prairiedevelopment.com)

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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, 2019, 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' 2018 financial statements and, in our report dated May 1, 2019; 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, 2019, 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.

**Emphasis of Matter**

As described in Note 2 – *Detail Notes on Transactions/Accounts: Subsequent Events* (page 28) to the financial statements, the East Central Council of Governments experienced an out flux of cash at December 31, 2019 due to an untimely delay of grants receivable payments. As a result, the Organization was required to utilize funds earmarked for unearned revenue to cover cash flow. As of January 2020, the Organization had received subsequent payments equal to 46% of the December 31, 2019 grants receivable balance. The remaining 54% was received in February and March 2020. With the receipt of the subsequent payments, the Organization's cash was replenished to a level more than sufficient to cover unearned revenue.



Parker, Colorado

May 7, 2020

***BASIC FINANCIAL STATEMENTS***

***GOVERNMENT-WIDE FINANCIAL STATEMENTS***

**EAST CENTRAL COUNCIL OF GOVERNMENTS**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2019 AND 2018**

	Governmental Activities	
	2019	2018
<b>ASSETS:</b>		
Cash	\$ 14,327	\$ 115,122
Receivables, net	263,032	140,747
Prepaid expenses	2,512	745
Capital assets, net	39,070	15,182
	318,941	271,796
<b>LIABILITIES:</b>		
Accounts payable and accrued expenses	45,151	46,867
Unearned revenue	63,195	51,943
Long-term liabilities:		
Due in more than one year	10,822	11,959
	119,168	110,769
<b>NET POSITION:</b>		
Investment in capital assets	39,070	15,182
Unrestricted	160,703	145,845
	\$ 199,773	\$ 161,027
	\$ 199,773	\$ 161,027

**EAST CENTRAL COUNCIL OF GOVERNMENTS**

**STATEMENTS OF ACTIVITIES**

**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**2019**

	Total	Agency Management and Administration	Programs			
			Aging Services	Economic Development	Transportation Services	Housing Services
Expenses:						
Salaries, wages and benefits	\$ 618,252	\$ 4,396	\$ 344,643	\$ 137,594	\$ 93,120	\$ 38,500
Materials and supplies	123,192	-	123,192	-	-	-
Other program expenses	641,965	77,355	286,537	117,842	137,253	22,978
Depreciation	6,388	1,408	4,980	-	-	-
Total expenses	1,389,795	83,159	759,351	255,435	230,373	61,477
Program revenues:						
Charges for services	184,136	12,840	100,795	-	7,889	62,612
Operating grants, contributions and dues	1,242,777	75,709	690,271	254,312	222,485	-
Net program expense	37,117	5,390	31,715	(1,123)	-	1,136
General Revenues:						
Miscellaneous	1,496					
Interest income	133					
Total general revenues	1,629					
Change in net position	38,746					
Net position - beginning	161,027					
Net position - ending	\$ 199,773					

**2018**

	Total	Agency Management and Administration	Programs			
			Aging Services	Economic Development	Transportation Services	Housing Services
<b>Expenses:</b>						
Salaries, wages and benefits	\$ 562,389	\$ 10,035	\$ 298,357	\$ 141,957	\$ 88,026	\$ 24,013
Materials and supplies	84,256	-	84,256	-	-	-
Other program expenses	484,625	75,907	176,046	145,175	65,162	22,336
Depreciation	3,341	2,398	943	-	-	-
<b>Total expenses</b>	<b>1,134,610</b>	<b>88,339</b>	<b>559,602</b>	<b>287,132</b>	<b>153,188</b>	<b>46,349</b>
<b>Program revenues:</b>						
Charges for services	165,834	11,614	99,795	-	7,224	47,201
Operating grants, contributions and dues	963,319	76,926	453,535	286,893	145,964	-
<b>Net program expense</b>	<b>(5,459)</b>	<b>201</b>	<b>(6,273)</b>	<b>(240)</b>	<b>-</b>	<b>853</b>
<b>General Revenues:</b>						
Miscellaneous	5,559					
Interest income	153					
<b>Total general revenues</b>	<b>5,712</b>					
Change in net position	253					
Net position - beginning	160,774					
Net position - ending	<u>\$ 161,027</u>					

***BASIC FINANCIAL STATEMENTS***

***FUND FINANCIAL STATEMENTS***

**EAST CENTRAL COUNCIL OF GOVERNMENTS**  
**BALANCE SHEETS**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2019 AND 2018**

	General Fund	
	2019	2018
<b>ASSETS:</b>		
Cash	\$ 14,327	\$ 115,122
Grants receivable	242,718	130,957
Receivable from PDC	8,364	2,468
Other receivables	11,950	7,321
Prepaid expenses	2,512	745
	<b>\$ 279,871</b>	<b>\$ 256,614</b>
 <b>LIABILITIES AND FUND BALANCES:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 45,150	\$ 46,867
Unearned revenue	63,195	51,943
	<b>108,345</b>	<b>98,810</b>
 <b>Fund Balance:</b>		
Nonspendable	2,512	745
Unassigned	169,014	157,060
	<b>171,525</b>	<b>157,804</b>
Total Fund Balance	<b>\$ 279,871</b>	<b>\$ 256,614</b>
Total Liabilities and Fund Balance	<b>\$ 279,871</b>	<b>\$ 256,614</b>

**EAST CENTRAL COUNCIL OF GOVERNMENTS**  
**RECONCILIATION OF THE BALANCE SHEETS -**  
**GOVERNMENTAL FUNDS**  
**TO THE STATEMENTS OF NET POSITION**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
Total fund balance - general fund	\$ 171,525	\$ 157,804
<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>	39,070	15,182
<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>	(10,822)	(11,959)
Net position of governmental activities	\$ 199,773	\$ 161,027

**EAST CENTRAL COUNCIL OF GOVERNMENTS**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

	General Fund	
	2019	2018
<b>REVENUES:</b>		
Intergovernmental Revenues:		
Grants	\$ 991,993	\$ 680,159
Grant matching contributions	120,355	104,281
Council of governments dues	75,709	76,926
Charges for services	184,136	165,833
Contributions	54,721	101,951
Miscellaneous revenue	1,496	5,559
Interest income	133	153
	<u>1,428,545</u>	<u>1,134,865</u>
<b>EXPENDITURES:</b>		
Current:		
Agency management and administration	82,888	82,981
Aging services	784,650	558,660
Economic development	255,435	287,132
Transportation services	230,373	153,188
Housing services	61,477	46,349
	<u>1,414,823</u>	<u>1,128,310</u>
NET CHANGE IN FUND BALANCE	<u>13,721</u>	<u>6,555</u>
FUND BALANCE, BEGINNING OF YEAR	<u>157,804</u>	<u>151,249</u>
FUND BALANCE, END OF YEAR	<u>\$ 171,525</u>	<u>\$ 157,804</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, 2019 AND 2018**

	2019	2018
Net change in fund balance - general fund	\$ 13,721	\$ 6,555
<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>		
	23,889	(3,341)
<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>		
	1,137	(2,961)
Change in net position of governmental activities	\$ 38,746	\$ 253

**EAST CENTRAL COUNCIL OF GOVERNMENTS**  
**STATEMENTS OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**DECEMBER 31, 2019 AND 2018**

	Agency Fund	
	2019	2018
<b>ASSETS:</b>		
Cash	\$ 23,087	\$ 21,418
Total Assets	\$ 23,087	\$ 21,418
<b>LIABILITIES:</b>		
Due to other governments/groups	\$ 23,087	\$ 21,418
Total Liabilities	\$ 23,087	\$ 21,418

**EAST CENTRAL COUNCIL OF GOVERNMENTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**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, 2019 AND 2018**

**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, 2019 AND 2018**

**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, 2019 AND 2018**

**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, 2019 AND 2018**

**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, 2019 AND 2018**

**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, 2019 AND 2018**

**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 \$14,327 and \$115,122 at December 31, 2019 and 2018, 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 \$8,364 and \$2,468 at December 31, 2019 and 2018, respectively, represents amounts due for program and administrative services.

**EAST CENTRAL COUNCIL OF GOVERNMENTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

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

**Other Receivables**

General fund, other receivables consist of the following:

	2019	2018
Enterprise Zone receivables	\$ 5,850	\$ 7,100
Other receivables	5,721	58
Member government matching funds	379	163
Total Other Receivables	\$ 11,950	\$ 7,321

**General Capital Assets**

A summary of changes in capital assets follows:

	12/31/18 Balance	Additions	Disposals	12/31/19 Balance
Furniture and Equipment	\$ 38,843	\$ 30,276	\$ -	\$ 69,119
Total Furniture and Equipment	38,843	\$ 30,276	\$ -	69,119
Accumulated Depreciation	23,661	\$ 6,388	\$ -	30,049
Net Capital Assets	\$ 15,182			\$ 39,070

Depreciation expense was charged to governmental activities as follows:

	2019	2018
Agency Management and Administration	\$ 4,980	\$ 2,398
Senior Services	1,408	943
Total Depreciation	\$ 6,388	\$ 3,341

**EAST CENTRAL COUNCIL OF GOVERNMENTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**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, 2019 and 2018 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 12/31/2018	\$ 11,959
Additions	667
Deletions	<u>(1,804)</u>
Balance 12/31/2019	<u>\$ 10,822</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 2019, ECCOG paid PDC \$16,800 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 2019, PDC paid \$62,612 to ECCOG for administrative services. As of December 31, 2019, PDC owed ECCOG \$8,364 for administrative services provided in December 2019.

**EAST CENTRAL COUNCIL OF GOVERNMENTS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**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:

	2019	2018
Money purchase pension expense	<u>\$ 20,738</u>	<u>\$ 16,714</u>
Mandatory money purchase pension contributions of participating employees	<u>\$ 17,281</u>	<u>\$ 13,928</u>
Voluntary pension plan contributions of participating employees	<u>\$ 5,667</u>	<u>\$ 5,394</u>
Covered wages	<u>\$ 345,626</u>	<u>\$ 278,556</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, 2019 AND 2018**

**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, 2019 and 2018, 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**

The following Colorado governmental agencies provided ECCOG with most of their grant funding in 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Colorado Department of Health & Human Services	33%	34%
Colorado Department of Transportation	20%	19%
Colorado Office of Economic Development	2%	3%
Colorado Department of Local Affairs	1%	1%

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, 2019, 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, 2019 AND 2018**

**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 7, 2020, the date the financial statements were available to be issued. The Organization has identified the following subsequent events:

**COVID-19:** In December 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in China. As of March 2020, the World Health Organization declared the outbreak to constitute a “Public Health Emergency of International Concern” and pandemic.

The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our clients, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

**Grants Receivable Collection:** As of January 2020, the Organization had received payment on 46% of the grants receivable balances at December 31, 2019; the remaining 54% was received in February and March 2020. As a result, the Organization’s cash was restored to a level more than sufficient to cover the untimely out flux of cash at December 31, 2019.

**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, 2019, 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 7, 2020.

**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*