

EAST CENTRAL
COUNCIL OF GOVERNMENTS

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

***YEARS ENDED
DECEMBER 31, 2021 AND 2020***

EAST CENTRAL COUNCIL OF GOVERNMENTS

DECEMBER 31, 2021 AND 2020

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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, 2021. 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 11 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 13 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 17 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, 2021 and 2020. You will notice that ECCOG’s government activities net position increased by \$29,750 in 2021. A discussion explaining the increase in net position is provided after the table.

| | 2021 | 2020 | Variance |
|---------------------------------------|------------|------------|-----------|
| ASSETS: | | | |
| Cash | \$ 225,988 | \$ 213,637 | \$ 12,351 |
| Receivables, net | 193,679 | 172,522 | 21,157 |
| Prepaid expenses | 5,079 | 1,904 | 3,175 |
| Capital assets, net | 22,257 | 30,663 | (8,406) |
| Total Assets | 447,003 | 418,726 | 28,277 |
| LIABILITIES: | | | |
| Accounts payable and accrued expenses | 48,691 | 51,152 | (2,461) |
| Unearned revenues | 136,562 | 133,639 | 2,923 |
| Long-term liabilities: | | | |
| Due within one year | 11,054 | 12,987 | (1,933) |
| Total Liabilities | 196,307 | 197,778 | (1,471) |
| NET POSITION: | | | |
| Investment in capital assets | 22,257 | 30,663 | (8,406) |
| Unrestricted | 228,440 | 190,284 | 38,156 |
| Total Net Position | \$ 250,697 | \$ 220,947 | \$ 29,750 |

Assets:

Cash on hand increased by \$12,351 in 2021 and the receivables increased \$21,157. The increase in cash was a direct result of timely grants receivable payments. The current year prepaid expense balance represents \$898 of prepaid state comp insurance and \$686 of prepaid postage, \$3,000 membership and \$494 misc prepaid expense. Capital assets reflect a decrease due to current year depreciation.

Liabilities:

The decrease in accounts payable and accrued expenses was \$2,461 from 2020 to 2021. The long-term liability balance of \$11,054 represents compensated absences due to employees as of December 31, 2021.

The following condensed Statements of Activities assists with identifying how the increase in net position occurred between 2021 and 2020.

| | 2021 | 2020 | Variance |
|------------------------------------|------------|------------|-----------|
| Expenses: | | | |
| Aging services | \$ 780,223 | \$ 719,077 | \$ 61,146 |
| Economic development | 254,182 | 179,017 | 75,165 |
| Transportation services | 266,101 | 169,867 | 96,234 |
| Housing services | 53,561 | 78,007 | (24,446) |
| Management and general | 53,509 | 57,755 | (4,246) |
| Total Expenses | 1,407,576 | 1,203,723 | 203,853 |
| Program Revenues: | | | |
| Charges for services | 146,959 | 172,097 | (25,138) |
| Operating grants and Contributions | 1,287,348 | 1,047,508 | 239,840 |
| Net (Expenses) | 26,731 | 15,882 | 10,849 |
| General Revenues: | | | |
| Miscellaneous | 3,019 | 5,221 | (2,202) |
| Other | - | 71 | (71) |
| Total general revenues | 3,019 | 5,292 | (2,273) |
| Change in net position | 29,750 | 21,174 | 8,576 |
| Net position – beginning | 220,947 | 199,773 | 21,174 |
| Net position – ending | \$ 250,697 | \$ 220,947 | \$ 29,750 |

Program Revenues:

Operating grants and contributions increased in 2021 as a direct result of operations returning to normal after the pandemic COVID19 that affected operations throughout most of 2020.

Expenses:

Expenses overall increased in 2021 due to increased program expenses related to the increase of services provided in 2021.

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, 2021, ECCOG had the following capital assets:

| | 2021 | | 2020 |
|--------------------------------|------------------|--|------------------|
| Total Furniture and equipment | \$ 69,119 | | \$ 69,119 |
| Less: Accumulated depreciation | 46,862 | | 38,456 |
| Net Capital Assets | <u>\$ 22,257</u> | | <u>\$ 30,663</u> |

Depreciation expense was \$8,406 for 2021 and 2020 each year.

Debt

As of December 31, 2021, ECCOG had the following in General Long-Term Debt.

| | 2021 | | 2020 |
|----------------------|-----------|--|-----------|
| Compensated absences | \$ 11,054 | | \$ 12,987 |

East Central Council of Governments Economic Factors

Compared to previous years, East Central Council of Governments' general fund derived from contributions from the counties and municipalities, decreased \$78 from 2021 to 2022. Population estimates from 2019 to 2020 show the region has decreased by approximately 800 residents. Elbert County who normally shows an increase in population had experienced a decrease of over 600 people. ECCOG’s general fund is funded using a population estimate 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. Kit Carson County’s correctional facility in Burlington remains closed since 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 results in county contributions totaling \$55,000 which is consistent for 2023. The municipalities’ contributions to ECCOG fluctuates slightly as population increases and decreases. In 2022, municipal dues are \$21,077. The Dues total of \$76,077 is used to match other funds to provide services across the region. 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.

COVID-19 had some impact on overall operations in 2021. We had our share of illness and concern for safety and well-beings but maintained operations as best we could. The Area Agency

on Aging programs and services continue to be a valuable part of the region through the meals, transportation, and ombudsman services. CDOT and AAA funds are already budgeted for increases for the year 2023 thanks in part to the federal stimulus awards. The 2023 ECCOG budget will be developed with special allowances due to increased funds and new program development in summer 2022. While no staff was laid off or lost wages due to the pandemic, we have experienced turnover due to retirement of the AAA director. Field staff openings remain higher than usual as unemployment in the region is low. Broadband has taken a front seat again as recovery funds are flush. ECCOG's Comprehensive Economic Development Strategy (CEDS) and resiliency plan was updated and approved in 2021. A new Planning Grant application is due by May 2022.

Approved Enterprise Zone Contribution Projects include eight projects across the four counties. Due to COVID-19, five projects that were slated to end December 31, 2021, were given a one-year extension to gain financial support which was lost during the pandemic. Projects need five annual contributions of \$250 or one donation of \$5,000 to remain an active project or the project may be terminated. One new project was approved in April 2022 - The World's Wonder View Tower of Genoa. Conversation with another new project in Lincoln County is being held now. The Opportunity Zone tool has seen very little activity in our region, but Lincoln and Cheyenne Counties have potential investments. The Foreign Trade Zone is also still available in Lincoln County to help attract businesses to the county.

Our CDBG contract carries an available balance of \$489,520 of which \$422,000 is for lending and \$67,520 for earned administration costs. A new contract request will need submitted by fall of 2022. Administrative dollars from the Revolved loan program are available also to offset expenses. In 2021, one \$32,000 loan under the Micro-Enterprise Program was funded in Kit Carson County in partnership with a local lender. 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 loan fund in 2017. PDC used their full allocation plus some extra funds totaling \$203,144.10 on seven loans with 18 jobs created.

Energize Colorado Gap Fund was created in 2020 to provide grant and loan funds to businesses impacted by the Coronavirus. Prairie Development Corporation became a partner for the grant program and awarded sixteen eligible businesses \$175,957.69 in the four counties in 2020. In 2021, Energize CO received more funds to grant and PDC again serviced local businesses across the four counties of Region 5 and added the six counties to the north (they had no partner to do the work). The total award in 2022 has reached \$256,853.66 expended through April 22, 2022, in the ten counties. The remaining balance will be awarded by April 30th.

The full-time salary schedule was adopted October 6, 2021, by the ECCOG board for years 2022 thru 2024. The ECCOG board will review the full-time and part-time schedules in fall of 2022 to ensure competitive pay in the marketplace. While minimum wage has increased our base salaries have not and the 3% cost of living adjustment is not on pace with inflation.

ECCOG's portion of full-time staff health insurance contribution was increased to \$689 as modified for 2022 to cover 100% of the "employee only" premium was approved by the board. The insurance costs for 2023 have not been released. Staffing costs have increased as two new staff were hired to run operations of AAA programs. During February 2022, the new STS Director tendered his resignation effective April 22. The Assistant Director was eventually promoted to

Director by the board on March 2022 effective April 1st. In 2021, written procedures were greatly improved possibly due to management and the COVID situation. Due to the staff turnover, more procedures are written and being used for cross training. COVID did not bring many good things to pass except we became more resilient and initiated backup plans which procedures are a part of. The board also increased the Per Diem rate for travel to \$64 per day and lowered the radius of travel from 100 miles to 50 for meal reimbursements. Full time staff now earn 8 hours per month of paid annual leave which is an increase of one hour per month. Staffing in 2022 may include a part-time receptionist/admin assistant to help cover vacation time during the summer as many staff missed vacation during the pandemic. Our vacation maximum is now 120 and sick leave is capped at 240 hours per year due to legislative changes to time off. Part-time staff also earn one hour of sick time for every 30 hours work. Next up is the Family and Medical Leave Act changes to address.

The partnership ECCOG has formed with the Economic Development Administration to maintain and improve the Comprehensive Economic Development Strategy (CEDS) for our region is even more important today than when we began in 2009. In 2020, we received a grant award to improve the resiliency plan within the CEDS and to update our CEDS. The CEDS was approved as updated by EDA. A consultant was hired and continues to hold public input meetings, gather new information, and expand our services and opportunities in Elbert, Lincoln, Cheyenne, and Kit Carson Counties. In fall 2022, ECCOG and our peer partner in Missouri will meet at each other's location as part of the peer review and expenses are included in the EDA travel budget.

TravelStorys, a digital story-telling app, was operational in early 2021. Summer tourism is expected to boom in 2022 as people get cabin fever and want to move about. We created a new Our Journey Museum brochure in 2021 and wrapped that up in 2022. The new logo displays a compass with Colorado's Central Plains with the Our Journey words on it. The brochure also displays a map of the region from 1920. ECCOG dues are designated as EDA grant match at the current level of \$52,500 for three years (\$17,500 per yr.) or 20%. The EDA portion each of the current three years is projected at \$70,000 ends in June 2022. A new application is being developed now to move our CEDS plan forward from 2022 into 2025. General funds or dues/contributions not used for EDA match are used as match for Enterprise Zone, AAA and other programs or for direct costs that are not covered by the EDA grant contract.

The new director and assistant director of AAA worked hard to open a meal site in Elizabeth in 2021. These directors also took advantage of Senate Bill 290 that allowed senior centers to apply for grant funds to make improvements to their facilities. The new AAA director and assistant director researched Project SMILE meal expansions and a voucher program for meals and transportation. Food pantry partnerships, community supported agriculture (CSA) gardens, greenhouses, and farmer's market are options being considered to mitigate food desert or food insecurity distress.

As part of the ongoing efforts under Northeast Rural Philanthropy Days, Colorado Resource Center has developed a group of northeast Colorado leaders to further advance the region in capacity building, workforce development and health/childcare needs. The Executive Director Candace Payne expressed interest in continuing this work as part of the CEDS. The group will formally begin their strategizing sessions in April 2022 and the summer. This group also has a keen eye on housing needs and will keep Region 5 growing and prospering with our partners.

In the ECCOG region, in-person meals and transit trips have resumed although bus drivers are few. Our fiscal officer was approved to work from home for the 2022 year by the board as she was during the pandemic in 2021. Inflation has touched us all at the grocery store, hardware shop, gas pump and utilities which many attribute to the pandemic. Schools are holding in-person classes and parents appear to be back at work like before. Job openings are plentiful but low unemployment is hindering business growth or recovery as employees are hard to find. Housing and business loans we believe will increase as people become entrepreneurs or independent consultants exiting the corporate lifestyle and moving to the rural areas. Housing is still one of our biggest needs but work through DOLA's Roadmap to Recovery funding is addressing the building code challenges municipalities face and heighten awareness of housing needs. Board participation in operations is strong and demonstrated in attendance and good discussion at the meetings. Providing staff with a good pay, great benefits, and a comfortable place to work will help us grow the programs and services for the four counties.

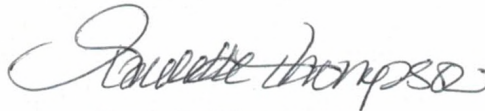
CONTACTING THE EAST CENTRAL COUNCIL OF GOVERNMENTS' FINANCIAL MANAGEMENT

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

Sincerely,



Candace M Payne
Executive Director
cpayne@prairiedevelopment.com



Paulette Thompson
Fiscal Officer
pthompson@prairiedevelopment.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
East Central Council of Governments

Opinion

We have audited 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, 2021, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Council's basic financial statements. The accompanying supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

EAST CENTRAL COUNCIL OF GOVERNMENTS
STATEMENTS OF NET POSITION
DECEMBER 31, 2021 AND 2020

| | Governmental Activities | |
|---------------------------------------|-------------------------|------------|
| | 2021 | 2020 |
| ASSETS: | | |
| Cash | \$ 225,988 | \$ 213,637 |
| Receivables, net | 193,679 | 172,522 |
| Prepaid expenses | 5,079 | 1,904 |
| Capital assets, net | 22,257 | 30,663 |
| Total Assets | 447,003 | 418,726 |
| LIABILITIES: | | |
| Accounts payable and accrued expenses | 48,691 | 51,152 |
| Unearned revenue | 136,562 | 133,639 |
| Long-term liabilities: | | |
| Due in more than one year | 11,054 | 12,987 |
| Total Liabilities | 196,306 | 197,778 |
| NET POSITION: | | |
| Investment in capital assets | 22,257 | 30,663 |
| Unrestricted | 228,440 | 190,284 |
| Total Net Position | \$ 250,697 | \$ 220,947 |

EAST CENTRAL COUNCIL OF GOVERNMENTS
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020

2021

| | Program Revenues | | Net (Expenses) Revenue and Changes in Net Position | | |
|-------------------------------|------------------|-------------------------|--|----------------------------|------------|
| | Expenses | Charges for Services | Primary Government | | |
| | | | Operating Grants and Contributions | Governmental Activities | Total |
| <u>Primary government</u> | | | | | |
| Governmental Activities: | | | | | |
| Programs: | | | | | |
| Aging services | \$ 780,223 | \$ 81,294 | \$ 691,573 | \$ (7,356) | \$ (7,356) |
| Economic development | 254,182 | - | 257,063 | 2,881 | 2,881 |
| Transportation services | 266,101 | 3,834 | 262,557 | 290 | 290 |
| Housing services | 53,561 | 53,561 | - | - | - |
| Total Programs | 1,354,067 | 138,689 | 1,211,193 | (4,185) | (4,185) |
| Management and general | 53,509 | 8,270 | 76,155 | 30,916 | 30,916 |
| Total Governmental Activities | 1,407,576 | 146,958 | 1,287,348 | 26,731 | 26,731 |
| TOTAL PRIMARY GOVERNMENT | \$ 1,407,576 | \$ 146,959 | \$ 1,287,348 | 26,731 | 26,731 |
| GENERAL REVENUES: | | | | | |
| Miscellaneous | | | | 3,019 | 3,019 |
| Other | | | | - | - |
| TOTAL GENERAL REVENUES | | | | 3,019 | 3,019 |
| CHANGE IN NET POSITION | | | | 29,750 | 29,750 |
| NET POSITION, Beginning | | | | 220,947 | 220,947 |
| NET POSITION, Ending | | | | \$ 250,697 | \$ 250,697 |

BASIC FINANCIAL STATEMENTS

FUND FINANCIAL STATEMENTS

EAST CENTRAL COUNCIL OF GOVERNMENTS
BALANCE SHEETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2021 AND 2020

| | General Fund | |
|---|-------------------|-------------------|
| | 2021 | 2020 |
| ASSETS: | | |
| Cash | \$ 225,988 | \$ 213,637 |
| Grants receivable | 180,792 | 163,016 |
| Receivable from PDC | 3,554 | 6,675 |
| Other receivables | 9,334 | 2,831 |
| Prepaid expenses | 5,079 | 1,904 |
| | \$ 424,747 | \$ 388,063 |
| LIABILITIES AND FUND BALANCES: | | |
| Liabilities: | | |
| Accounts payable | \$ 48,690 | \$ 51,153 |
| Unearned revenue | 136,562 | 133,639 |
| | 185,252 | 184,792 |
| Fund Balance: | | |
| Nonspendable | 5,079 | 1,904 |
| Unassigned | 234,416 | 201,367 |
| | 239,494 | 203,271 |
| Total Fund Balance | 239,494 | 203,271 |
| Total Liabilities and Fund Balance | \$ 424,747 | \$ 388,063 |

EAST CENTRAL COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE BALANCE SHEETS -
GOVERNMENTAL FUNDS
TO THE STATEMENTS OF NET POSITION
YEARS ENDED DECEMBER 31, 2021 AND 2020

| | 2021 | 2020 |
|---|------------|------------|
| Total fund balance - general fund | \$ 239,494 | \$ 203,271 |
| <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> | 22,257 | 30,663 |
| <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> | (11,054) | (12,987) |
| Net position of governmental activities | \$ 250,697 | \$ 220,947 |

EAST CENTRAL COUNCIL OF GOVERNMENTS
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEARS ENDED DECEMBER 31, 2021 AND 2020

| | General Fund | |
|---------------------------------|--------------|------------|
| | 2021 | 2020 |
| REVENUES: | | |
| Intergovernmental Revenues: | | |
| Grants | \$ 1,075,903 | \$ 882,020 |
| Grant matching contributions | 98,092 | 56,484 |
| Council of governments dues | 76,155 | 75,356 |
| Charges for services | 146,959 | 172,097 |
| Contributions | 37,200 | 33,650 |
| Miscellaneous revenue | 3,019 | 5,221 |
| Interest income | - | 71 |
| | 1,437,327 | 1,224,899 |
| EXPENDITURES: | | |
| Current: | | |
| Management and general | 54,034 | 54,181 |
| Aging services | 773,225 | 712,079 |
| Economic development | 254,182 | 179,017 |
| Transportation services | 266,101 | 169,867 |
| Housing services | 53,561 | 78,007 |
| | 1,401,104 | 1,193,153 |
| NET CHANGE IN FUND BALANCE | 36,223 | 31,746 |
| FUND BALANCE, BEGINNING OF YEAR | 203,271 | 171,525 |
| FUND BALANCE, END OF YEAR | \$ 239,494 | \$ 203,271 |

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, 2021 AND 2020

| | 2021 | 2020 |
|---|-----------|-----------|
| Net change in fund balance - general fund | \$ 36,223 | \$ 31,746 |
| <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> | | |
| | (8,406) | (8,406) |
| <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 by which the compensated balances changed from the prior year to the current year.</p> | | |
| | 1,934 | (2,164) |
| Change in net position of governmental activities | \$ 29,750 | \$ 21,174 |

EAST CENTRAL COUNCIL OF GOVERNMENTS
STATEMENTS OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2021 AND 2020

| | Agency Fund | |
|---------------------------------|-------------|-----------|
| | 2021 | 2020 |
| ASSETS: | | |
| Cash | \$ 26,373 | \$ 24,299 |
| Total Assets | \$ 26,373 | \$ 24,299 |
| LIABILITIES: | | |
| Due to other governments/groups | \$ 26,373 | \$ 24,299 |
| Total Liabilities | \$ 26,373 | \$ 24,299 |

EAST CENTRAL COUNCIL OF GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

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, 2021 AND 2020

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 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, 2021 AND 2020

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, 2021 AND 2020

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, 2021 AND 2020

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, 2021 AND 2020

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, 2021 AND 2020

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.

New Accounting Pronouncement

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement 87, *Leases*. The objective of the Statement is to address the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases previously classified as operating leases.

The requirements of the Statement were effective for reporting periods beginning after December 15, 2019 with earlier application encouraged. However, in response to the challenges arising from COVID 19, in May 2020, GASB approved Statement 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. While the proposal included an extra year to implement all guidance, GASB approved an 18-month postponement for Statement 87, *Leases*. Statement 87, *Leases*, is now effective for reporting periods beginning after June 15, 2021. Management is currently evaluating the impact of adoption of this Statement on its financial statements.

EAST CENTRAL COUNCIL OF GOVERNMENTS

NOTES TO BASIC FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

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 \$225,988 and \$213,637 at December 31, 2021 and 2020, respectively, was insured or collateralized with securities held by the entity or by its agent in the entity's name.

Receivable from Prairie Development Corporation

The receivable from Prairie Development Corporation (PDC) of \$3,554 and \$6,675 at December 31, 2021 and 2020, respectively, represents amounts due for program and administrative services.

Other Receivables

General fund, other receivables consist of the following:

| | <u>2021</u> | <u>2020</u> |
|----------------------------------|-----------------|-----------------|
| Enterprise Zone receivables | \$ 2,300 | \$ 2,250 |
| Member government matching funds | 615 | 372 |
| Other receivables | <u>6,419</u> | <u>209</u> |
| Total Other Receivables | <u>\$ 9,334</u> | <u>\$ 2,831</u> |

General Capital Assets

A summary of changes in capital assets follows:

| | <u>12/31/20</u> | | | <u>12/31/21</u> |
|-------------------------------|------------------|------------------|------------------|------------------|
| | <u>Balance</u> | <u>Additions</u> | <u>Disposals</u> | <u>Balance</u> |
| Furniture and Equipment | <u>\$ 69,119</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 69,119</u> |
| Total Furniture and Equipment | 69,119 | <u>\$ -</u> | <u>\$ -</u> | 69,119 |
| Accumulated Depreciation | <u>38,456</u> | <u>\$ 8,406</u> | <u>\$ -</u> | <u>46,862</u> |
| Net Capital Assets | <u>\$ 30,663</u> | | | <u>\$ 22,257</u> |

EAST CENTRAL COUNCIL OF GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

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

General Capital Assets (Continued)

Depreciation expense was charged to governmental activities as follows:

| | 2021 | 2020 |
|--------------------------------------|----------|----------|
| Agency Management and Administration | \$ 6,999 | \$ 6,999 |
| Senior Services | 1,408 | 1,408 |
| Total Depreciation | \$ 8,406 | \$ 8,406 |

General Long-Term Debt

A summary of general long-term debt transactions for the years ended December 31, 2021 and 2020 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 12/31/2020 | \$ 12,987 |
| Additions | 2,656 |
| Deletions | (4,589) |
| Balance 12/31/2021 | \$ 11,054 |

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 2021, 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 2021, PDC paid \$53,561 to ECCOG for administrative services. As of December 31, 2021, PDC owed ECCOG \$3,554 for administrative services provided in December 2021.

EAST CENTRAL COUNCIL OF GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

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:

| | 2021 | 2020 |
|---|-------------------|-------------------|
| Money purchase pension expense | <u>\$ 16,966</u> | <u>\$ 20,521</u> |
| Mandatory money purchase pension contributions of participating employees | <u>\$ 14,139</u> | <u>\$ 17,101</u> |
| Voluntary pension plan contributions of participating employees | <u>\$ 5,941</u> | <u>\$ 5,802</u> |
| Covered wages | <u>\$ 282,773</u> | <u>\$ 342,019</u> |

ECCOG does not have access to the funds in either plan and does not 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, 2021 AND 2020

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, 2021 and 2020, 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 2021 and 2020:

| | <u>2021</u> | <u>2020</u> |
|--|-------------|-------------|
| Colorado Department of Health & Human Services | 52% | 38% |
| Colorado Department of Transportation | 21% | 18% |
| Colorado Office of Economic Development | 2% | 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, therefore, 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, 2021, ECCOG held funds at one financial institution in excess of the FDIC insurance limit by \$85.

EAST CENTRAL COUNCIL OF GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

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 June 12, 2022, 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, distribution of the vaccine and boosters, 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 affect our future financial condition or results of operations is uncertain.

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, 2021, 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 June 12, 2022.

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