

**SOUTHWEST COLORADO COUNCIL OF GOVERNMENTS**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2024**  
**WITH REPORT OF**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**SOUTHWEST COLORADO COUNCIL OF GOVERNMENTS**

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## **Independent Auditors' Report**

Board of Directors  
Southwest Colorado Council of Governments  
Durango, Colorado

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities and each major fund of Southwest Colorado Council of Governments, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise Southwest Colorado Council of Governments' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Southwest Colorado Council of Governments, as of December 31, 2024 for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southwest Colorado Council of Governments 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***

Southwest Colorado Council of Governments' 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 Southwest Colorado Council of Governments' ability to continue as a going concern for one year after the date that the financial statements are issued or when applicable, one year after the date that the financial statements are available to be issued.

### ***Auditor's 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 auditor's 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 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, 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 Southwest Colorado Council of Governments' 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 Southwest Colorado Council of Governments' 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 management's discussion and analysis and the budgetary comparison information as listed in the table of contents 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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2025 on our consideration of Southwest Colorado Council of Governments' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southwest Colorado Council of Governments' internal control over financial reporting and compliance.

*HintonBurdick, PLLC*

St. George, Utah

July 7, 2025

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# **Southwest Colorado Council of Governments Management's Discussion and Analysis**

As management of the Southwest Colorado Council of Governments (Council), we offer readers of the Council's financial statements this narrative overview and analysis of the financial activities of the Council for the fiscal year ended December 31, 2024. Please read it in conjunction with the financial statements.

## **FINANCIAL AND OTHER HIGHLIGHTS**

- Total assets exceed total liabilities (net position) by \$241,123 at the close of the fiscal year.
- Total net position increased by \$125,108.
- Total revenue in the General Fund was less than budget by \$236,092 and expenditures and transfers in the General Fund were under budget by \$348,308.
- Revenues decreased by \$437,675 over the prior year while expenditures decreased \$464,599 due to decreased grant related activity of the Council.

## **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the Council as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Council's operations in more detail than the government-wide statements. (3) Notes to the financial statements.

### **Reporting on the Council as a Whole**

#### **The Statement of Net Position and the Statement of Activities (Government-wide)**

A frequently asked question regarding the Council's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Activities report information about the Council as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Council's net position and changes in them. Net position, the difference between assets and liabilities, are one way to measure the Council's financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the financial health is improving or deteriorating

The Statement of Net Position and the Statement of Activities, present information about the following:

Government activities – All of the Council's basic services are considered to be governmental activities. Grants, intergovernmental revenues and other non-exchange revenues finance most of these activities.

## Reporting the Council’s Most Significant Funds

### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the Council as a whole. The Council’s major funds uses the accounting approaches as explained below.

Governmental funds – All of the Council’s basic services are reported in governmental funds. The Council has one major fund, the general fund, which is used to report all of its governmental operations, including contributions and grant expenses for broadband activity.

Governmental funds focus on how resources flow in and out with the balances remaining at year- end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, 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 the Council’s general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Council’s programs.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Council’s financial position. The Council’s combined assets exceed liabilities by \$241,123 as of December 31, 2024 as shown on the following condensed statement of net position.

#### Statements of Net Position

	Governmental activities	
	12/31/2024	12/31/2023
Current and other assets	\$ 413,515	\$ 259,095
Long-term assets	20,979	34,965
Total assets	434,494	294,060
Current liabilities and deferred inflows of resources	193,371	178,045
Total liabilities and deferred inflows of resources	193,371	178,045
Net position:		
Unrestricted	241,123	116,015
Total net position	\$ 241,123	\$ 116,015

### Governmental Activities

The cost of all governmental activities this year was \$282,250. Of this, \$305,022 was subsidized by operating grants and contributions received from other governmental organizations. Charges for services totaled \$93,801.

The Council’s programs include: General Government. Each programs’ net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the extent to which the Council’s revenues support each of the Council’s programs.

**Statement of Activities**

	Governmental activities	
	12/31/2024	12/31/2023
Revenues:		
Program revenues:		
Charges for services	\$ 93,801	\$ 132,668
Operating grants and contributions	305,022	711,469
General revenues:		
Interest income	2,535	896
Miscellaneous	6,000	-
Total revenues	407,358	845,033
Expenses:		
General government	282,250	746,849
Total expenses	282,250	746,849
Change in net position	125,108	98,184
Net position, beginning	116,015	40,419
Prior period adjustment	-	(22,588)
Net position, ending	\$ 241,123	\$ 116,015

Total resources available during the year to finance governmental operations were \$523,373 consisting of net position at January 1, 2024 of \$116,015, program revenues of \$398,823 and general revenues of \$8,535. The total cost of governmental activities during the year was \$282,250. Governmental net position increased by \$125,108 to \$241,123.

**General Fund Budgetary Highlights**

The final appropriations for the general fund at year-end were more than actual expenditures by \$348,308. Actual revenues were less than the final budget by \$236,092.

**NEXT YEAR’S BUDGET AND ECONOMIC FACTORS**

The Board of Directors and management considered many factors when they established the budget for 2025. Most important was anticipating upcoming middle mile broadband and All Hazards projects that run through the SWCCOG. This includes Department of Local Affairs (DOLA) and Dept. of Homeland Security Emergency Management funding. Upcoming projects, intergovernmental grant revenue, user fees and changes in operating costs are all evaluated and considered before a final budget is adopted.

**CONTACTING THE COUNCIL’S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Council’s finances for all those with an interest in the government’s finances and to show the Council’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Laura Lewis Marchino, Region 9 Economic Development District Executive Director, at 970-247-9621 or [laura@region9edd.org](mailto:laura@region9edd.org).

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## **BASIC FINANCIAL STATEMENTS**

**SOUTHWEST COLORADO COUNCIL OF GOVERNMENTS**  
**Statement of Net Position**  
**December 31, 2024**

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	<b>Governmental Activities</b>
<b>Assets</b>	
Current assets:	
Cash and investments	\$ 257,203
Prepaid expenses	5,000
Accounts receivable	151,312
Total current assets	413,515
Long-term assets:	
Right-of-use subscription asset	41,957
Accumulated amortization	(20,978)
Total long-term assets	20,979
Total assets	434,494
<b>Liabilities</b>	
Accounts payable	65,559
Accrued expenses	33,077
Unearned revenue	94,735
Total liabilities	193,371
<b>Net Position</b>	
Unrestricted	241,123
Total Net Position	\$ 241,123

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

**SOUTHWEST COLORADO COUNCIL OF GOVERNMENTS**  
**Statement of Activities**  
**For the Year Ended December 31, 2024**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Governmental activities:					
General government	\$ 282,250	\$ 93,801	\$ 305,022	\$ 116,573	\$ 116,573
Total governmental activities	<u>\$ 282,250</u>	<u>\$ 93,801</u>	<u>\$ 305,022</u>	<u>116,573</u>	<u>116,573</u>
General revenues:					
Interest income				2,535	2,535
Miscellaneous				6,000	6,000
Total general revenues				<u>8,535</u>	<u>8,535</u>
Change in net position				125,108	125,108
Net position - beginning				<u>116,015</u>	<u>116,015</u>
Net position - ending				<u>\$ 241,123</u>	<u>\$ 241,123</u>

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

**SOUTHWEST COLORADO COUNCIL OF GOVERNMENTS**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2024**

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	General Fund	Total Governmental Funds
<b>Assets</b>		
Cash	\$ 257,203	\$ 257,203
Prepaid expenses	25,979	25,979
Accounts and grants receivable	151,312	151,312
Total assets	\$ 434,494	\$ 434,494
<b>Liabilities</b>		
Accounts payable	\$ 65,559	\$ 65,559
Accrued expenses	33,077	33,077
Unearned grant revenue	94,735	94,735
Total liabilities	193,371	193,371
<b>Fund Balances</b>		
Nonspendable	25,979	25,979
Assigned	50,199	50,199
Unassigned	164,945	164,945
Total fund balance	241,123	241,123
Total liabilities and fund balances	\$ 434,494	\$ 434,494

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

**SOUTHWEST COLORADO COUNCIL OF GOVERNMENTS**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**December 31, 2024**

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Total governmental fund balance	\$ 241,123
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Amounts reported for governmental activities in the statement of net position are different because:

Amounts reported as prepaid expense related to a software contract in the funds is reported as a right-of-use SBITA asset and amortized over the life of the contract in the government-wide statements.

Prepaid expense-Zoom	\$ (20,979)	
Right-of-use SBITA	41,957	
Accumulated amortization	<u>(20,978)</u>	-

Total net position - governmental activities	<u>\$ 241,123</u>
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The accompanying notes are an integral part of the financial statements.

**SOUTHWEST COLORADO COUNCIL OF GOVERNMENTS**  
**Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - Governmental Funds**  
**For the Year Ended December 31, 2024**

	Special Revenue Fund		Total Governmental Funds
	General Fund	Fiber Fund	
<b>Revenues</b>			
Grants	\$ 242,771	\$ -	\$ 242,771
Charges for services	93,801	-	93,801
Local sources			
Interest	2,535	-	2,535
Contributions and grants	60,000	-	60,000
Rental income	6,000	-	6,000
Grant match	2,251	-	2,251
Total revenues	<u>407,358</u>	<u>-</u>	<u>407,358</u>
<b>Expenditures</b>			
General government	<u>282,250</u>	<u>-</u>	<u>282,250</u>
Total expenditures	<u>282,250</u>	<u>-</u>	<u>282,250</u>
Excess of revenues over (under) expenditures	125,108	-	125,108
Fund balance, beginning, as previously stated	<u>68,351</u>	<u>47,664</u>	<u>116,015</u>
Adjustment-consolidation of funds	<u>47,664</u>	<u>(47,664)</u>	<u>-</u>
Fund balance, ending	<u>\$ 241,123</u>	<u>\$ -</u>	<u>\$ 241,123</u>

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

**SOUTHWEST COLORADO COUNCIL OF GOVERNMENTS**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balance of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended December 31, 2024**

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

Net change in fund balances - total governmental funds	\$	125,108
<p>Governmental funds report outlays for SBITA arrangements as expenditures and prepaid expense when paid in advance. However, in the statement of activities, the costs of the right-of-use assets are allocated over the life of the contract and reported as amortization expense.</p>		
Shared services expense	\$	(13,986)
Amortization expense	<u>13,986</u>	-
Change in net position of governmental activities	<u>\$</u>	<u>125,108</u>

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

**SOUTHWEST COLORADO COUNCIL OF GOVERNMENTS**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Note 1.           Summary of Significant Accounting Policies**

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**Description of government-wide financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**Reporting entity**

Southwest Colorado Council of Governments (the Council) is an association of local governments formed through inter-governmental agreements. The Council was formed in December 2009, pursuant to Colorado Revised Statutes, Sections 29-1-401 and 29-1-402. The Council was created for the purpose of promoting regional cooperation and coordination among local governments and between levels of government for the geographic area comprising the counties of Archuleta, Dolores, La Plata, Montezuma, and San Juan. The Council provides local public officials the means of responding more effectively to the local and regional problems of the member governments.

Southwest Colorado Council of Governments (Council) is governed by a board with representation appointed by its member governments. The board is responsible for setting policy, appointing administrative personnel and adopting an annual budget in accordance with the provisions of Colorado Revised Statutes. The Council does not have any component units, meaning entities for which the Council is considered to be financially responsible.

**Basis of presentation – government-wide financial statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds.

**Basis of presentation – fund financial statements**

The fund financial statements provide information about the government’s funds. The emphasis of the Council’s fund financial statements is on major governmental funds, each is displayed in a separate column. Currently the Council has one fund: the General Fund.

The Council reports the following major governmental funds:

The **General Fund** is the government’s primary operating fund. It accounts for all financial resources of the general government.

**SOUTHWEST COLORADO COUNCIL OF GOVERNMENTS**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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**Measurement focus and basis of accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

General revenues associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

**Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance**

***Cash and cash equivalents***

The Council's cash and cash equivalents are considered to be cash on hand, demand deposits with original maturities of three months or less from the date of acquisition.

***Receivables***

Grants receivable and amounts due from other governments are shown net of estimated uncollectible amounts. All receivables at December 31, 2024 are considered collectible and, therefore, an allowance for uncollectible grants receivable and amounts due from other governments has not been recorded.

**SOUTHWEST COLORADO COUNCIL OF GOVERNMENTS**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Note 1.           Summary of Significant Accounting Policies, Continued**

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***Prepaid items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased.

***Capital assets***

Capital assets, which include land, buildings, improvements, vehicles, equipment and furniture and fixtures, are reported in the governmental activities column in the government-wide statement of net position. In accordance with GASB 34, the Council has opted not to retroactively report infrastructure assets. Capital assets are defined by the Council as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings and improvements 5-39 years  
Vehicles and equipment 5-20 years  
Furniture and fixtures 5-15 years

As of December 31, 2024, the Council had no capital assets.

***Deferred outflows/inflows of resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government currently has no items which qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has no items that qualify for reporting in this category.

***Unearned revenue***

Unearned revenues arise when resources are received by the Council before it has a legal claim to them, as when grant funding is received prior to the incurrence of qualifying expenditures.

**SOUTHWEST COLORADO COUNCIL OF GOVERNMENTS**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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***Net position flow assumption***

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

***Fund balance flow assumptions***

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

***Fund balance policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Categories are classified as either non-spendable, restricted, committed, assigned, or unassigned.

Non-spendable fund balances indicate amounts that are not in a spendable form such as inventory or are required to be maintained intact. Restricted fund balances indicate amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers. The committed fund balances indicate amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority, the governing council. The governing council can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Amounts in the assigned fund balance classification are intended to be used by the Council for specific purposes but do not meet the criteria to be classified as committed. The board may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.

At December 31, 2024, the Council has an assigned balance of \$50,199 for fiber related activity.

**SOUTHWEST COLORADO COUNCIL OF GOVERNMENTS**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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*Leases and Subscription-Based Information Technology Arrangements*

Lessee: The Council recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements when applicable. The Council recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the Council initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Council determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Council uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Council generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Council is reasonably certain to exercise.

The Council monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The Council recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements, when applicable. At the commencement of a lease, the Council initially measures the lease receivable at the present value of payments expected to be received during the lease term.

Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Council determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Council uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee. Noncancellable lease terms of one year or less are considered short-term and not reported as leases.

**SOUTHWEST COLORADO COUNCIL OF GOVERNMENTS**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Note 1.           Summary of Significant Accounting Policies, Continued**

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The Council monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Subscription-based information technology arrangements (SBITA): The Council recognizes a subscription liability and an intangible right-to-use subscription asset in the government-wide financial statements when applicable. The Council recognizes subscription liabilities with an initial, individual value of \$5,000 or more. The Council uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate implicit in the arrangement.

As of December 31, 2024 the Council had no leases that required reporting. As of December 31, 2024 the Council had one SBITA that required reporting

**Revenues and expenditures**

***Program revenues***

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment.

***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 the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

***Subsequent Events***

Management has evaluated subsequent events through July 7, 2025 the date which the financial statements were available to be issued.

**Colorado State Constitution Article X, Section 20**

The Council has concluded that the revenue, spending and debt limitations imposed by Colorado State Constitution Article X, Section 20 (Amendment 1, the ‘TABOR’ amendment) do not apply to them. This conclusion was primarily based on the fact that the Council does not impose a mill levy or collect taxes. In its deliberations, the Council and management took under consideration a legal opinion drawing the same conclusion.

**SOUTHWEST COLORADO COUNCIL OF GOVERNMENTS**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Note 2. Stewardship, Compliance and Accountability**

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**Budgets and Budgetary Accounting**

The Council's Board adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- In accordance with State statutes, prior to October 15, management submits to the Board of Directors a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The State statutes require more detailed line item budgets be submitted in summary form. In addition, more detailed line item budgets are included for administration control. The level of control for the detailed budgets is at the Fund level.
- Public hearings are conducted.
- Prior to December 31, the budget is legally adopted through passage of a resolution.
- The Executive Director is required to present a monthly report to the Board explaining any variance from the approved budget.
- Formal budgetary integration is employed as a management control device during the year for all funds of the Council.
- Appropriations lapse at the end of each calendar year.
- The Board may authorize supplemental appropriations during the year.

Budget amounts included in the financial statements report both the original and final amended budget. There were revisions made to the original budget during the year.

Budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except for long-term receivables and advances and capital lease financing which are budgeted when liquidated rather than when the receivable/liability is incurred.

**Expenditures over Appropriations**

Per C.R.S. 29-1-108(2), appropriations are made by fund or spending agency (e.g. department) within a fund at the discretion of the Board. The Board has made appropriations at the fund level and thus, expenditures may not legally exceed budgeted appropriations at the fund level. The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual report as listed in the table of contents report those funds that exceeded approved budget appropriations, if any.

**SOUTHWEST COLORADO COUNCIL OF GOVERNMENTS**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Note 3. Deposits and Investments**

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A summary of cash and cash equivalents as shown on the statement of net position follows:

Cash in bank	\$ 257,203
Total cash and investments	\$ 257,203

**Deposits**

*Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the Council's deposits may not be returned to it. As of December 31, 2024, none of the Council's bank balances of \$278,799 exceeded federally insured amounts or were uncollateralized.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified by PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

**Investments**

Colorado statutes specify investment instruments meeting defined rating and risk criteria that local governments may invest in, which include:

- obligations of the United States and certain U.S. government agency securities,
- certain international agency securities,
- general obligation and revenue bonds of U.S. local government entities,
- bankers' acceptances of certain banks,
- commercial paper,
- written repurchase agreements collateralized by certain authorized securities,
- certain money market funds,
- guaranteed investment contracts, and
- local government investment pools.

**SOUTHWEST COLORADO COUNCIL OF GOVERNMENTS**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Note 3. Deposits and Investments, Continued**

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**Fair value measurements**

Governmental Accounting Standards Board Statement No. 72 (GASB 72) Fair Value Measurement and Application establishes a hierarchy of inputs to valuation techniques used to measure fair value and requires disclosures to be made about investment fair value measurements, the level of fair value hierarchy, and valuation techniques. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Council does not hold any investments in 2024 that are measured at fair value.

**Interest Rate Risk –**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting its exposure to fair value losses arising from prevailing market interest rates, the Council's investment policy states that the weighted average maturity of the portfolio shall be no greater than 2.5 years, and all investments shall have a final maturity not exceeding 5 years from the date of purchase.

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**Note 4. Subscription Based Information Technology Arrangements (SBITAs)**

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The Council has obtained the right to use Zoom One Pro under the provisions of a subscription-based information technology arrangement. The subscription is for a term of three years beginning July 1, 2023. The Council elected to prepay the full three-year subscription during the year ended December 31, 2023.

The total amount of subscription assets is \$41,957 and related accumulated amortization totaled \$20,978 as of December 31, 2024. There are no future minimum subscription payments required and, therefore, there is no subscription liability recorded.

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**Note 5. Concentrations**

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During 2024, the Council received most of its revenue from grants and from its member governments.

**SOUTHWEST COLORADO COUNCIL OF GOVERNMENTS**  
**Notes to the Financial Statements**  
**December 31, 2024**

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**Note 6. Contingencies**

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The Council administers projects through grants. These projects are subject to audit by the granting agencies. A substantial amount of grant revenue has been awarded to subrecipients. These grants are subject to final review and approval as to allowability by the respective grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. However, the Council expects such amounts, if any, to be immaterial.

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**Note 7. Risk and Uncertainties**

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The Council is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Council carries commercial insurance. There have been no reductions in insurance coverages provided to the Council and there have been no settlements exceeding insurance coverage.

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**Note 8. Consolidation of Funds**

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During the year ended December 31, 2024, the Council determined that the special revenue fund-Fiber did not have a restricted revenue source and therefore, will be combined with the General Fund for financial statement reporting purposes.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**SOUTHWEST COLORADO COUNCIL OF GOVERNMENTS**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended December 31, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Grant revenues	\$ 577,450	\$ 577,450	\$ 242,771	\$ (334,679)
Charges for services	60,000	60,000	93,801	33,801
Local sources				
Interest revenue	-	-	2,535	2,535
Contributions	-	-	60,000	60,000
Rental income	-	-	6,000	6,000
Grant match	-	-	2,251	2,251
	637,450	637,450	407,358	(236,092)
<b>Expenditures</b>				
General government				
Personnel costs	-	-	29,504	(29,504)
Consulting	145,000	145,000	62,485	82,515
Computer and equipment	-	-	19,809	(19,809)
Fiber lease expense	30,000	30,000	40,607	(10,607)
Insurance	-	-	1,100	(1,100)
Professional fees	-	-	682	(682)
Repairs and maintenance	-	-	3,108	
Travel and training	5,000	5,000	91	4,909
Supplies	-	-	148	(148)
Grant expenditures	447,450	447,450	110,730	336,720
Shared services expense	-	-	13,986	(13,986)
	627,450	627,450	282,250	348,308
Excess (deficiency) of revenues over (under) expenditures	10,000	10,000	125,108	112,216
Fund balance, beginning, as previously stated	68,351	68,351	68,351	-
Adjustment-consolidation of funds	-	-	47,664	47,664
Fund balance, end of year	\$ 78,351	\$ 78,351	\$ 241,123	\$ 159,880

**OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS**

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**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  
Southwest Colorado 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 and each major fund of Southwest Colorado Council of Governments (the Council), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements and have issued our report thereon dated July 7, 2025.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) as a basis for designing 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 Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

*HintonBurdick, PLLC*

St. George, Utah

July 7, 2025