

Southwest Colorado Council of Governments

ANNUAL FINANCIAL REPORT

December 31, 2020





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Members of the Board of Directors
Southwest Colorado Council of Governments

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund for the year ended December 31, 2020 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 financial statements referred to above 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, 2020 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. 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 opinion.

Responsibilities of Management for the Financial Statements

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

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's ability to continue as a going concern within 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 opinion. 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 generally accepted 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, including omissions, 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 generally accepted 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 Southwest Colorado Council of Governments'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 Southwest Colorado Council of Governments's ability to continue as a going concern for a reasonable period of time.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Southwest Colorado Council of Governments's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Sincerely,

Haynie & Company

Littleton, Colorado

September 1, 2021

Southwest Colorado Council of Governments Management 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, 2020. Please read it in conjunction with the financial statements.

FINANCIAL HIGHLIGHTS

- Total assets exceed total liabilities (net position) by \$46,493 at the close of the fiscal year.
- Total net position decreased by \$30,956.
- Total revenue and expenditures in the General Fund were less than budgeted appropriations.

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 fund 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 the majority of its governmental operations. The Fiber Fund is a non-major fund used to track contributions and expenses for fiber replacement.

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 \$46,493 as of December 31, 2020 as shown on the following condensed statement of net position.

Statements of Net Position:

	2020	2019	Change
Current assets	\$ 118,307	\$ 234,276	\$ (115,969)
Total assets	118,307	234,276	(115,969)
Current liabilities and deferred inflows of resources	71,814	156,827	(85,013)
Total liabilities and deferred inflows of resources	71,814	156,827	(85,013)
Net Position			
Restricted	19,502	164,882	(145,380)
Unrestricted	26,991	(87,433)	114,424
Total Net Position	\$ 46,493	\$ 77,449	\$ (30,956)

Governmental Activities

The cost of all governmental activities this year was \$542,636. Of this, \$485,237 was subsidized by operating grants and contributions received from other governmental organizations. Charges for services totaled \$116,772.

The Council's programs include: General Government and Grants passed through to member governments. 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.

Statements of Activities:

Revenues	2020	2019	Change
Charges for services	\$ 116,772	\$ 61,214	\$ 55,558
Operating grants and contributions	394,908	456,817	(61,909)
Total revenues	511,680	518,031	(6,351)
Expenses			
General government	485,237	374,728	110,509
Grants passed through to member governments	57,399	118,542	(61,143)
Total expenses	542,636	493,270	49,366
Change in net position	(30,956)	24,761	(55,717)
Net position, beginning	77,449	52,688	24,761
Net position, ending	\$ 46,493	\$ 77,449	\$ (30,956)

Total resources available during the year to finance governmental operations were \$589,129 consisting of net position at January 1, 2020 of \$77,449 and program revenues of \$511,680. The total cost of governmental activities during the year was \$542,636. Governmental net position decreased by \$30,956 to \$46,493.

General Fund Budgetary Highlights

The final appropriations for the general fund at year-end were equal to actual expenditures. Actual revenues were equal to final budget. Budget amendments were made during the year to prevent budget overruns and to increase appropriations for unanticipated expenditures after adoption of the original budget.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the Council's Budget for calendar year 2021, the Council's Board and management estimated the budget for operating revenues and expenditures to be comparable to the year ended December 31, 2020.

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 Miriam Gillow-Wiles, Executive Director, at 970-779-4592 or director@swccog.org.

Basic Financial Statements

Southwest Colorado Council of Governments
Statement of Net Position
December 31, 2020

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 23,736
Due from other governments	75,069
Restricted assets:	
Cash and cash equivalents	19,502
Total assets	\$ 118,307
Liabilities	
Accounts payable	\$ 22,969
Accrued liabilities	8,774
Total liabilities	31,743
Deferred Inflows of Resources	
Unearned revenue	40,071
Total deferred inflows of resources	40,071
Net Position	
Restricted - fiber replacement	19,502
Unrestricted	26,991
Total net position	46,493
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 118,307

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

Southwest Colorado Council of Governments
Statement of Activities
For the Year Ended December 31, 2020

Functions/Program Activities	Program Revenues			Net (Expense) Revenue and Changes in Net Position of the Primary Government	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Total
Governmental activities:					
General government	\$ 485,237	\$ 116,772	\$ 339,683	\$ (28,782)	\$ (28,782)
Grants passed through to member governments	57,399	-	55,225	(2,174)	(2,174)
Total governmental activities	\$ 542,636	\$ 116,772	\$ 394,908	(30,956)	(30,956)
Change in net position					(30,956)
Net position - beginning of year					77,449
Net position - end of year					<u><u>\$ 46,493</u></u>

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

Southwest Colorado Council of Governments
Governmental Funds Balance Sheet
December 31, 2020

	General Fund	Nonmajor Fiber Replacement Fund	Total Governmental Activities
Assets			
Cash and cash equivalents	23,736	\$ -	\$ 23,736
Due from other governments	75,069	-	75,069
Prepaid expenses	-	-	-
Restricted assets:			
Cash and cash equivalents	-	19,502	19,502
Total assets	<u>\$ 98,805</u>	<u>\$ 19,502</u>	<u>\$ 118,307</u>
Liabilities			
Accounts payable	\$ 22,969	\$ -	\$ 22,969
Accrued liabilities	8,774	-	8,774
Unearned revenue	40,071	-	40,071
Total liabilities	<u>71,814</u>	<u>-</u>	<u>71,814</u>
Deferred Inflows of Resources			
Unearned revenue	40,071	-	\$ 40,071
Total deferred inflows of resources	<u>40,071</u>	<u>-</u>	<u>40,071</u>
Fund Balances			
Restricted	-	19,502	19,502
Unassigned	26,991	-	26,991
Total Fund Balances	<u>26,991</u>	<u>19,502</u>	<u>46,493</u>
Total Liabilities and Fund Balances	<u>\$ 98,805</u>	<u>\$ 19,502</u>	<u>\$ 118,307</u>

There are no reconciling items between the Statement of Net Position and the Governmental Funds Balance Sheet.

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

Southwest Colorado Council of Governments
Governmental Fund Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended December 31, 2020

	<u>General Fund</u>	<u>Nonmajor Fiber Replacement Total</u>	<u>Total Governmental Activities</u>
Revenues			
Grant income	\$ 262,062	\$ -	\$ 262,062
Charges for services	116,772	-	116,772
Contributions from member governments	121,957	-	121,957
Miscellaneous	10,887	2	10,889
Total Revenues	<u>511,678</u>	<u>2</u>	<u>511,680</u>
Expenditures			
General government	485,237	-	485,237
Grants passed through to member governments	57,399	-	57,399
Total Expenditures	<u>542,636</u>	<u>-</u>	<u>542,636</u>
Excess of Revenues over Expenditures	<u>(30,958)</u>	<u>2</u>	<u>(30,956)</u>
Fund balances:			
Beginning of the year	<u>57,949</u>	<u>19,500</u>	<u>77,449</u>
End of the year	<u>\$ 26,991</u>	<u>\$ 19,502</u>	<u>\$ 46,493</u>

There are no reconciling items between the Government-Wide Statement of Activities and the Governmental Funds Statement of Activities.

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

Southwest Colorado Council of Governments

Notes to Basic Financial Statements

December 31, 2020

1. Organization

Organization

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.

2. Significant Accounting Policies

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 (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 accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

Basis of presentation – 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. Governmental activities, which normally are supported by grant income, charges for services, contributions from member governments, and other contributions. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Council

Southwest Colorado Council of Governments

Notes to Basic Financial Statements (continued)

December 31, 2020

2. Summary of Significant Accounting Policies (continued)

is not financially accountable for any other entity, nor is the council a component unit of any other government.

Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. The Council currently has no enterprise funds or fiduciary funds.

The government 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, except for those required to be accounted for in another fund.

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.

Southwest Colorado Council of Governments

Notes to Basic Financial Statements (continued)

December 31, 2020

2. Summary of Significant Accounting Policies (continued)

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, 2020 are considered collectible and, therefore, an allowance for uncollectible grants receivable and amounts due from other governments has not been recorded.

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.

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 and proprietary 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 – net position to have been depleted before unrestricted – net position is applied.

Southwest Colorado Council of Governments
Notes to Basic Financial Statements (continued)
December 31, 2020

2. Summary of Significant Accounting Policies (continued)

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.

Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and expenditures/expenses

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

Southwest Colorado Council of Governments

Notes to Basic Financial Statements (continued)

December 31, 2020

2. Summary of Significant Accounting Policies (continued)

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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

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.

3. Stewardship, Compliance and Accountability

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.

Southwest Colorado Council of Governments

Notes to Basic Financial Statements (continued)

December 31, 2020

3. Stewardship, Compliance and Accountability (continued)

- 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.

4. Cash Deposits, Marketable Securities and Investments

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.

As of December 31, 2020, the Council's cash deposits had a bank balance of \$49,953 and a carrying balance of \$43,238, all of which was FDIC insured in 2020.

Southwest Colorado Council of Governments

Notes to Basic Financial Statements (continued)

December 31, 2020

4. Cash Deposits, Marketable Securities and Investments (continued)

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.

Interest Rate Risk - 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.

As of December 31, 2020 the Council had no investments.

5. Unearned Revenue

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

Unearned revenues of \$40,071 at December 31, 2020 consists mainly of grant monies received for the Southwestern Colorado Food Systems & Health Equity Planning Project. The Council will complete all performance obligations related to the grants in 2021.

Southwest Colorado Council of Governments

Notes to Basic Financial Statements (continued)

December 31, 2020

6. Concentrations

During 2020, the Council received most of its revenue from grants and from its member governments.

7. Contingencies

The Council administers projects through grants. These projects are subject to audit by 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.

8. Employee Retirement Benefits

The Council contributes to a 457b plan on behalf of all full-time employees. The plan is administered by ICMA-RC and provides that the Council matches up to 5% with the Council's contribution of \$4,905 during the year ending December 31, 2020.

Employees are fully vested immediately, foregoing any purpose of forfeitures. There is no employee contribution required. The Plan can be amended by the Executive Director.

9. Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. In response, many state and local governments instituted restrictions that substantially limited the operations of non-essential businesses and the activities of individuals. While some of these restrictions have been eased, there is still significant uncertainty around the extent and duration of those still in place and the possibility for restrictions to be increased again in the future. The extent to which the pandemic will impact the Council's financial results in the coming periods depends on future developments, including where there are additional outbreaks of COVID-19 and the actions taken to contain or address the virus. However, the Council believes it will be able to continue operations under current governmental guidelines while mitigating the impact as much as possible to minimize losses.

Required Supplementary Information

Southwest Colorado Council of Governments
Statement of Revenues, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—General Fund
For the Year Ended December 31, 2020

	Budgeted Amounts	Budgeted Amounts	Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues				
Grant Income	\$ 486,527	\$ 547,314	\$ 262,062	\$ (285,252)
Charges for Services	74,686	131,855	116,772	(15,083)
Contributions from member governments	128,389	128,389	121,957	(6,432)
Other contributions	10,000	10,000	10,887	887
Total revenues	<u>699,602</u>	<u>817,558</u>	<u>511,678</u>	<u>(305,880)</u>
Expenditures				
General government				
Salaries and wages	148,677	148,677	135,169	13,508
Employee benefits	23,819	23,819	23,346	473
Advertising	240	240	31	209
Consulting	195,378	175,500	89,082	86,418
Computer and equipment	3,204	3,204	3,561	(357)
Insurance	3,229	3,229	3,209	20
Postage and printing	80	80	-	80
Professional fees	13,350	13,350	6,966	6,384
Rent and utilities	8,400	8,400	8,400	-
Travel and training	37,000	37,000	1,367	35,633
Supplies	850	850	251	599
Grant expenditures - All Hazards	156,000	156,000	57,399	98,601
Grant expenditures - Other	156,517	172,829	119,611	53,218
Other	42,268	81,395	94,244	(12,849)
Total general government	<u>789,012</u>	<u>824,573</u>	<u>542,636</u>	<u>281,937</u>
Excess revenues over (under) expenditures	(89,410)	(7,015)	(30,958)	
Fund balance at beginning of year			<u>57,949</u>	
Fund balance at end of year			<u>\$ 26,991</u>	

Other Supplementary Information

Southwest Colorado Council of Governments
Statement of Revenues, Expenditures
and Changes in Fund Balance—Actual and Budget
Governmental Fund Type—Fiber Fund
For the Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Variance Favorable (Unfavorable)</u>
	<u>Original and Final</u>	<u>Actual</u>	
Revenues			
Contributions from member governments - Fiber	\$ -	\$ 2	\$ 2
Total revenues	-	2	2
Expenditures			
Fiber Consulting Services	-	-	-
Total expenditures	-	-	-
Excess revenues over (under) expenditures	-	2	2
Fund balance at beginning of year		19,500	
Fund balance at end of year		\$ 19,502	