

UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2022

UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS

Official Roster

December 31, 2022

Board of Directors

H.A. "Buck" Wenzel	Chairman
Greg Labbe	Vice-Chairman
Jeff Fielder	Secretary-Treasurer
Dwayne McFall	Director
Rusty Granzella	Director
Kevin Day	Director
Devin Rowe	Director
Ashley Smith	Director

Officer

Heather Evans	Executive Director
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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Upper Arkansas Area Council of Governments
Cañon City, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Upper Arkansas Area Council of Governments (UAACOG) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the UAACOG's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Upper Arkansas Area Council of Governments as of December 31, 2022, and the respective changes in financial position thereof 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 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 the Upper Arkansas Area Council of Governments and to meet other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

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 misstatements, 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Upper Arkansas Area Council of Government'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Upper Arkansas Area Council of Government's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through iv 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 historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Upper Arkansas Area Council of Government's basic financial statements. The schedule of expenditures of federal awards, as required by the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2023 on our consideration of the Upper Arkansas Area Council of Government's 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 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 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 the Upper Arkansas Area Council of Government's internal control over financial reporting and compliance.

McPherson, Goodwin, Paolucci & Micheli, PC

May 30, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022

As management of the Upper Arkansas Area Council of Governments, we offer readers this discussion and analysis in order to provide a financial performance overview of the UAACOG's financial activities for the Fiscal Year ended December 31, 2022. We encourage readers to read the information presented here in conjunction with the financial statements that follow this narrative.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2022

The assets of the UAACOG exceeded its liabilities and deferred inflows of resources by \$6,970,190 at the close of the fiscal year. Of this amount, \$6,226,465 may be used to meet the Agency's ongoing obligations.

The total assets of the UAACOG decreased by \$231,384 or approximately 2.69%, liabilities decreased by \$80,504 or approximately 7.79%, and deferred inflows of resources increased by \$98,642 or approximately 28.29% when compared to the previous year resulting in a total decrease in the net position of \$249,522.

Total revenues increased by 16.08% from last year. Contracts received from all designated purpose grants increased by 18.47% and General Fund revenues decreased by 9.39%. Total investment earnings increased by 2,262%, while donations and fundraising activities increased by 4.04%. This increase was due to increased revenues from private donors and additional funding from private foundations. The significant increase in investment earnings was due to the overall performance of investments in 2022. Funding from Federal and State sources increased due to additional funding of existing programs.

Expenditures increased by 24.69%, due to increased revenues from additional funding.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the UAACOG's basic financial statements. The UAACOG's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The basic financial statements present two different views of the UAACOG through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Upper Arkansas Area Council of Governments.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the UAACOG's finances, in a manner similar to a private-sector business. The government-wide statements provide short and long-term information about the UAACOG's financial status as a whole.

The *statement of net position* presents information on all of the Upper Arkansas Area Council of Governments' assets, deferred outflows of revenues, liabilities and deferred inflows of revenues, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the UAACOG is improving or deteriorating.

The *statement of activities* presents information showing how the UAACOG's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., capital lease payments and earned but unused employee vacation leave).

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The UAACOG, like other governmental entities, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as State Statutes. The UAACOG only uses four funds to account for the financial resources and operating expenditures. The governmental funds focus on how assets can readily be converted into cash and what monies at year-end will be available for spending in the next year. The governmental funds are reported using an accounting method called *modified accrual accounting*. This method also uses the current financial resources measurement focus. As a result, the governmental funds financial statements give the reader a detailed short-term view that helps determine if there are financial resources available to finance the UAACOG's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental funds is described in the footnotes to the financial statements.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

UAACOG is funded from a variety of local, state and federal sources. The revenues were distributed in the following manner:

General Government	3.0%
Health and Safety	2.7%
Housing	13.7%
Child Development and Welfare	28.6%
Job Training	6.8%
Nutrition	4.8%
Services for the Aging	24.4%
Transportation	6.0%
Economic Development	8.1%
Upper Arkansas Area Development Corp.	1.9%
Upper Arkansas Regional Service Council	0.0%

GOVERNMENT-WIDE STATEMENTS

The Statement of Net Position presents information on UAACOG's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as "net position". Increases or decreases in net position may serve as a useful indicator as to whether the financial condition of the Agency is improving or deteriorating over time.

The following table reflects the condensed Statement of Net Position comparing 2022 to the prior fiscal year.

Statement of Net Position As of December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 7,094,271	\$ 7,320,741
Capital Assets	<u>1,275,806</u>	<u>1,280,720</u>
Total Assets	8,370,077	8,601,461
Current Liabilities	334,513	349,851
Long-term liabilities	<u>617,999</u>	<u>683,165</u>
Total Liabilities	952,512	1,033,016
Deferred Inflows of Resources:		
Deferred Revenues	447,375	348,733
Net Position:		
Net investment in capital assets	743,725	734,780
Restricted for grantor purposes	5,918,895	6,128,590
Unrestricted	<u>307,570</u>	<u>356,342</u>
Total Net Position	\$ <u>6,970,190</u>	\$ <u>7,219,712</u>

In 2022, UAACOG established a Fiduciary checking account for the payment of expenses for the Mutual Self-Help Housing 502 loans for the families building their own homes.

The following table reflects the condensed Statement of Fiduciary Net Position for 2022.

Statement of Fiduciary Net Position
As of December 31, 2022

Cash and cash equivalents	\$	<u>51,031</u>
Total Assets	\$	51,031
Accounts payable and accrued expenses	\$	<u>51,031</u>
Total Liabilities	\$	51,031
Net Position:		
Restricted for Self-Help Loans	\$	=
Total Net Position	\$	-

The Statement of Activities presents information showing how the UAACOG's net position changed during the most recent fiscal year. Revenues and expenses in this statement are recorded when earned or a liability is incurred. For example, items such as the value of earned but unused vacation leave will be recorded as an expense of the current period even though the actual use of the vacation time may not be used until subsequent periods.

The following table reflects the condensed Statement of Activities compared to the prior fiscal year.

Statement of Activities
As of December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenues:		
Program revenues		
Charges for services	\$ 623,203	\$ 578,012
Operating grants and contributions	5,312,749	4,539,594
General revenues		
Earnings on investments	25,756	1,090
Loss on disposal of assets	< 20,156 >	
Total Revenues	5,941,552	5,118,696
Expenses:		
General Government	148,793	220,100
Health and Safety	159,875	139,248
Housing	777,908	654,450
Child Development and Welfare	1,656,578	1,500,013
Environmental Protection	0	17,226
Job Training	411,821	450,780
Nutrition	307,004	292,800
Services for the Aging	1,469,163	1,196,033
Transportation	359,653	312,283
Economic Development	464,747	25,946
Upper Arkansas Area Development Corp.	411,800	131,205
Upper Arkansas Regional Service Council	590	831
Interest on long-term debt	23,142	24,109
	6,191,074	4,965,024
Change in net position	<249,522>	153,672
Beginning net position	<u>7,219,712</u>	<u>7,066,040</u>
Ending net position	\$ <u>6,970,190</u>	\$ <u>7,219,712</u>

WHO WE ARE

The Upper Arkansas Area Council of Governments is a 501(a) quasi-governmental organization formed in 1974 for serving as a grant clearinghouse for Federal and State grants to Colorado's Planning Region 13 (Chaffee, Custer, Fremont, and Lake Counties). The Agency still serves in that capacity, as well as housing several service programs.

Each Member County, as well one municipality within the respective county, is allowed to appoint a representative to serve as a member of the Board of Directors.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Upper Arkansas Area Council of Government's finances and services for all interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the UAACOG Fiscal Officer, 3224 Independence Road, Suite A, Canon City, CO 81212.

BASIC FINANCIAL STATEMENTS

UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,285,988
Investments	2,418,310
Due from other governments	881,348
Other receivables -	
Loans, net of allowance for uncollectible	2,371,876
Accrued interest	33,853
Other	58,828
Prepaid expenses	13,945
Inventory	30,123
Capital assets -	
Land	62,500
Buildings and improvements, net	1,034,341
Vehicles and equipment, net	178,965
Total capital assets, net	<u>1,275,806</u>
TOTAL ASSETS	<u>8,370,077</u>
LIABILITIES	
Accounts payable and accrued expenses	271,338
Accrued salaries and benefits	63,175
Long-term liabilities -	
Due within one year	100,376
Due in more than one year	<u>517,623</u>
TOTAL LIABILITIES	<u>952,512</u>
Deferred inflows of resources	<u>447,375</u>
NET POSITION	
Net investment in capital assets	743,725
Restricted for grantor purposes	5,918,895
Unrestricted	<u>307,570</u>
TOTAL NET POSITION	<u>\$ 6,970,190</u>

The accompanying notes are an integral part of this statement.

UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenues</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary Government				
Governmental activities -				
General government	\$ 148,793	\$ 77,968	\$ 99,693	\$ 28,868
Health and safety	159,875	-	159,875	-
Housing	777,908	276,275	536,980	35,347
Child development and welfare	1,656,578	93,388	1,603,604	40,414
Job training	411,821	-	401,858	(9,963)
Nutrition	307,004	-	287,004	(20,000)
Services for the aging	1,469,163	49,770	1,399,247	(20,146)
Transportation	359,653	-	359,653	-
Economic development	464,747	10,868	464,835	10,956
Upper Arkansas Area Development Corp.	411,800	114,934	-	(296,866)
Upper Arkansas Regional Service Council	590	-	-	(590)
Interest on long-term debt	<u>23,142</u>	<u>-</u>	<u>-</u>	<u>(23,142)</u>
Total governmental activities	<u>\$ 6,191,074</u>	<u>\$ 623,203</u>	<u>\$ 5,312,749</u>	<u>(255,122)</u>
General revenues -				
Earnings on investments				25,756
Loss on capital asset disposal				<u>(20,156)</u>
Total general revenues				<u>5,600</u>
Change in net position				(249,522)
Net position, beginning of year				<u>7,219,712</u>
Net position, end of year				<u>\$ 6,970,190</u>

The accompanying notes are an integral part of this statement.

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	General Fund	Governmental Designated Purpose Grants	Upper Arkansas Area Development Corporation	Upper Arkansas Regional Service Council	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 221,841	\$ 271,321	\$ 792,076	\$ 750	\$ 1,285,988
Investments	284,154	1,103,774	1,030,382	-	2,418,310
Receivable from other governments	89,643	791,705	-	-	881,348
Other receivables:					
Loans, net of allowance for uncollectible	-	1,341,885	1,029,991	-	2,371,876
Accrued interest	533	4,111	29,209	-	33,853
Other	47,460	11,368	-	-	58,828
Prepaid items	4,267	9,565	113	-	13,945
Inventory	-	30,123	-	-	30,123
TOTAL ASSETS	\$ 647,898	\$ 3,563,852	\$ 2,881,771	\$ 750	\$ 7,094,271
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 107,950	\$ 92,448	\$ 69,508	\$ 750	\$ 270,656
Accrued salaries and benefits	35,882	26,998	295	-	63,175
TOTAL LIABILITIES	143,832	119,446	69,803	750	333,831
DEFERRED INFLOWS OF RESOURCES	74,033	328,699	44,643	-	447,375
FUND BALANCES					
Nonspendable					
Inventory	-	30,123	-	-	30,123
Prepaid items	4,267	9,565	-	-	13,832
Long-term receivables (restricted)	28,000	1,050,000	900,000	-	1,978,000
Restricted					
Grantor purposes	-	-	1,867,325	-	1,867,325
Unassigned	397,766	2,026,019	-	-	2,423,785
TOTAL FUND BALANCES	430,033	3,115,707	2,767,325	-	6,313,065
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 647,898	\$ 3,563,852	\$ 2,881,771	\$ 750	\$ 7,094,271

The accompanying notes are an integral part of this statement.

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2022**

Total fund balances for governmental funds \$ 6,313,065

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

Capital assets used in governmental activities are not current financial
resources and therefore are not reported as assets in the governmental
funds. These assets consist of:

Land	\$ 62,500	
Buildings	2,632,419	
Vehicles and equipment	385,448	
Less accumulated depreciation	<u>(1,804,561)</u>	1,275,806

Long-term liabilities applicable to UAACOG's governmental activities
are not due and payable in the current period and accordingly are not
reported as fund liabilities. Interest on notes payable is not accrued
in the governmental funds, but is recognized as an expenditure when
due. All liabilities are reported in the statement of net position.
Long-term liabilities at year-end consist of:

Notes payable	\$ (532,081)	
Accrued interest	(682)	
Accrued compensated absences	<u>(85,918)</u>	<u>(618,681)</u>

Total Net Position - Governmental Activities \$ 6,970,190

The accompanying notes are an integral part of this statement.

UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2022

	General Fund	Governmental Designated Purpose Grants	Upper Arkansas Area Development Corporation	Upper Arkansas Regional Service Council	Total Governmental Funds
REVENUES					
Intergovernmental	\$ 82,841	\$ 5,143,569	\$ -	\$ -	\$ 5,226,410
Charges for services	77,968	430,301	114,934	-	623,203
Investment earnings	2,671	17,059	6,026	-	25,756
Donations	16,850	69,487	-	-	86,337
TOTAL REVENUES	180,330	5,660,416	120,960	-	5,961,706
EXPENDITURES					
Current					
General government	100,269	-	-	-	100,269
Health and safety	-	159,875	-	-	159,875
Housing	-	769,938	-	-	769,938
Child development and welfare	-	1,634,241	-	-	1,634,241
Job training	-	411,821	-	-	411,821
Nutrition	-	307,004	-	-	307,004
Services for the aging	-	1,461,676	-	-	1,461,676
Transportation	-	359,653	-	-	359,653
Economic development	-	464,747	-	-	464,747
Upper Arkansas Area Development Corporation	-	-	411,774	-	411,774
Upper Arkansas Area Service Council	-	-	-	590	590
Debt service -					
Principal	13,857	59,180	-	-	73,037
Interest and other charges	22,935	569	-	-	23,504
Capital outlay	27,730	74,168	-	-	101,898
TOTAL EXPENDITURES	164,791	5,702,872	411,774	590	6,280,027
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	15,539	(42,456)	(290,814)	(590)	(318,321)
OTHER FINANCING SOURCES (USES)					
Proceeds from disposal of assets	8,185	-	-	-	8,185
Transfers in	11,080	51,490	-	590	63,160
Transfers out	(51,956)	(11,080)	(124)	-	(63,160)
TOTAL OTHER FINANCING SOURCES (USES)	(32,691)	40,410	(124)	590	8,185
NET CHANGE IN FUND BALANCES	(17,152)	(2,046)	(290,938)	-	(310,136)
FUND BALANCES, beginning of year	447,185	3,117,753	3,058,263	-	6,623,201
FUND BALANCES, end of year	\$ 430,033	\$ 3,115,707	\$ 2,767,325	\$ -	\$ 6,313,065

The accompanying notes are an integral part of this statement.

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

Net change in fund balances-total governmental funds \$ (310,136)

The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. In the statement of activities cost of assets in excess of accumulated depreciation reduces the proceeds from sale of assets. This is the amount by which the cost of assets disposed exceed accumulated depreciation -

Depreciation expense	\$	(78,470)	
Capital outlay		101,898	
Net book value of capital asset disposals		(28,341)	(4,913)

The governmental funds report payment of principal on notes as an expenditure. Proceeds from notes payable are reported as an other financing source in the statement of revenues, expenditures and changes in fund balance but are considered a liability in the statement of net position. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of notes payable and other obligations is as follows:

Principal payments on notes payable	\$	73,038	
Change in accrued interest payable		362	
Change in compensated absences liability		(7,873)	65,527

Change in Net Position of Governmental Activities \$ (249,522)

The accompanying notes are an integral part of this statement.

CUSTODIAL FUNDS

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUNDS
DECEMBER 31, 2022**

	<u>Self-Help Loans</u>
ASSETS	
Cash and cash equivalents	\$ 51,031
TOTAL ASSETS	<u>51,031</u>
LIABILITIES	
Accounts payable and accrued expenses	51,031
TOTAL LIABILITIES	<u>51,031</u>
NET POSITION	
Restricted for Self-Help Loans	<u>-</u>
TOTAL NET POSITION	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this statement.

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS
DECEMBER 31, 2022**

	<u>Self-Help Loans</u>
ADDITIONS	
Deposits received	\$ 162,350
TOTAL ADDITIONS	<u>162,350</u>
DEDUCTIONS	
Deposits released	<u>162,350</u>
TOTAL DEDUCTIONS	<u>162,350</u>
Change in net position	-
Net position at beginning of year	<u>-</u>
NET POSITION AT END OF YEAR	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Upper Arkansas Area Council of Governments (the UAACOG) was established in 1974 as a 501(a) quasi-governmental organization for the purpose of serving as a grant clearinghouse for federal and state grants to Colorado's Planning Region 13 (Chaffee, Custer, Fremont and Lake Counties). Each county wishing to be a member of the UAACOG must pay annual dues. Municipalities within the respective counties may also become members without paying annual dues. Each member is allowed a representative from their respective county/municipality to serve as a member of the Board of Directors which is the governing body of the organization. The Board appoints an executive director to oversee the operations of the organization. The UAACOG has no taxing authority in any of the represented counties. The UAACOG still serves its original purpose, as well as housing several service programs including: Workforce Innovation and Opportunity Act (WIOA) (this program ended December 31, 2022); Head Start for Fremont County; Women, Infants, and Children (WIC); Area Agency on Aging (AAA); Housing Rehabilitation; Section 8 Housing Management; Mutual Self-Help Housing; Commodities Distribution; Revolving Loan Funds; Housing Counseling Program, Transit Program, CSBG and Enterprise Zone Administration.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting standards and financial reporting principles. The more significant accounting and reporting principles and practices used by the UAACOG are described below.

A. REPORTING ENTITY

As defined by generally accepted accounting principles (GAAP), the accompanying financial statements present all the fund types of the UAACOG and the blended component units for which the UAACOG is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the government's operations and, consequently, data from these units are combined with data of the primary government. Each blended component unit has a December 31 year-end.

The financial statements of the following component units have been "blended" with those of the UAACOG because (1) the governing bodies are substantially the same as the governing body of the UAACOG and there is a financial benefit or burden relationship between UAACOG and the component unit or management of the UAACOG has operational responsibility for the component unit.

The Upper Arkansas Area Development Corporation (UAADC) - UAADC is a legally separate non-profit corporation formed in 1990 to administer small business loans and assist individuals in the acquisition of residences.

The Upper Arkansas Regional Service Council (UARSC) – UARSC is a legally separate non-profit corporation formed in 2007 to assist the municipalities and counties in the region with obtaining grants and carrying out fundraising activities for specific purposes. The activities it carries out must be for charitable, literary, or scientific and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code.

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the UAACOG as a whole) and fund financial statements. The government-wide financial statements, which include the statement of net position and the statement of activities, report information on all of the non-fiduciary activities of the UAACOG and its blended component units. For the most part, the effect of interfund activity has been removed from these statements.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include (1) fees and charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues are reported as general revenues.

Major individual governmental funds are reported in separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

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 the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under 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 collected within the current period or soon enough thereafter to pay the liabilities of the current period. For this purpose, the UAACOG considers revenue to be available if collected within 60 days of the end of the current fiscal period, except the availability is considered 120 days for UAACOG's government-mandated non-exchange transactions that are generally classified as expenditure driven grants. In applying the measurable and available concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and other grant requirements have been met. Expenditures generally are recorded when a liability is incurred as is the case with 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 while proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Grant and entitlement revenues, interest (including amounts due on notes receivable) and charges for services are considered revenues susceptible to accrual. Other receipts are generally not susceptible to accrual because they are not generally measurable until received in cash. Entitlements and shared revenues are recorded at the time of receipt or earlier if the accrual criteria are met. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and other grant revenue requirements have been met.

GOVERNMENTAL FUNDS

The UAACOG reports the following major governmental funds:

- The general fund is the primary operating fund of the UAACOG. It accounts for general operating financial resources of the UAACOG except those required to be accounted for in another fund.
- The governmental designated purpose grant fund accounts for the proceeds of specific resources received from private, state and federal agencies for expenditures incurred for specific purposes.
- The Upper Arkansas Area Development Corporation accounts for economic loans made to small businesses and assists individuals in the acquisition of residences. Sources of revenues are intergovernmental revenues and charges for services.
- The Upper Arkansas Regional Service Council accounts for fundraising activities for specific purposes requested by its members. Sources of revenues generally consist of donations.

When both restricted and unrestricted resources are available for net position use, it is the UAACOG's policy to use restricted resources first, and then unrestricted resources, as they are needed.

D. BUDGETS AND BUDGETARY ACCOUNTING

The UAACOG operates as a quasi-governmental unit and is not subject to the provisions of the Colorado budget law and therefore, budget to actual comparison schedules are not presented either as a basic financial statement or as required supplementary information.

E. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents consist of cash on hand and demand deposits.

Investments consist amounts invested at CSAFE and brokered CD's.

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

F. LOANS RECEIVABLE AND INTEREST REVENUE

The UAACOG makes real estate loans to qualifying low-income individuals for home improvements and assistance in the purchase of homes and lots. These loans are collateralized by the related real estate. In addition, UAADC makes commercial loans to assist small business owners that are collateralized by business equipment, deeds of trust on business real estate, and personal guarantees of the respective business owner or corporate officers. The loans have interest rates from 0% to 5% and original maturities from five to 30 years.

A loan is considered impaired when, based on current information and events, it is probable that the UAACOG will be unable to collect the current balance of principal and interest. Factors considered by management in determining impairments include payment status, collateral value, borrower's financial situation, and the probability of collecting the balance due. Loans that experience insignificant delays and payment shortfalls generally are not considered impaired. Impairment is measured on a loan-by-loan basis using the factors described above.

An allowance for uncollectibles is established for loans that have ceased performing or are performing in a manner that is significantly different from the original stated terms. The allowance is increased by provisions charged to operations and is reduced by charge-offs. The UAACOG management considers current economic conditions, review of specific problem loans, and other factors in determining the adequacy of the allowance for uncollectible loans.

Other receivables represent amounts due from various entities for services provided by the UAACOG.

G. INVENTORY

At December 31, 2022, inventory consists of consumable and food supplies used in the Aging Program and Head Start Program. Purchased consumable and food supplies inventory items are reported at the lower of cost or market and cost is determined using the first-in, first-out method. Commodity inventories are stated at the USDA's assigned values, which approximates fair value. Inventory at December 31, 2022 consists of the following:

	<u>Governmental Designated Purpose Grants</u>
Consumable supplies	\$ 30,123

H. LEASE RECEIVABLE

The Upper Arkansas Area Council of Government's lease receivable is measured at the present value of lease payments expected to be received during the lease term. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized over the term of the lease.

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

I. CAPITAL ASSETS

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the government-wide financial statements. All purchased capital assets are recorded at cost. The capitalization level has been set at \$5,000 in order to maintain a balance between accountability and managing the costs of recording and tracking these assets. Donated capital assets are recorded at their estimated acquisition value on the date received. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized while improvements are capitalized.

Capital assets of the UAACOG are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Type</u>	<u>Years</u>
Building and improvements	30-40
Equipment and vehicles	15-20

J. COMPENSATED ABSENCES

It is UAACOG's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees are allowed to accumulate vacation benefits up to predetermined maximums and are compensated for these accumulated vacation benefits either through paid time off or at termination or retirement. Employees are also allowed to accumulate sick pay benefits but are not eligible for payout of accumulated sick leave at termination, and, as such, accrued compensated absences do not include sick pay.

Accumulated vacation is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation or retirement.

K. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other similar long-term obligations are reported as liabilities in the statement of net position.

In the governmental fund financial statements, the face amount of debt issue proceeds, along with the related discount or premium, if any, is reported as other financing sources while debt issue costs are reported as debt expenditures.

L. INTERFUND TRANSACTIONS

Interfund transactions are accounted for as revenues or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed. All other interfund transactions are reported as interfund transfers.

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

M. FUND EQUITY

Governmental funds report fund balance in classifications based primarily on the extent to which UAACOG is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for UAACOG's governmental funds may consist of the following:

- Nonspendable – includes amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash such as inventories of consumable supplies, prepaid items and long-term notes receivable.
- Restricted – includes amounts that are restricted for specific purposes stipulated by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation and constitutional provisions.
- Committed – includes amounts that can only be used for specific purposes determined by the passage of a resolution of UAACOG's board of directors. Commitments may be modified or changed only by the UAACOG's board of directors approving a new resolution.
- Assigned – includes amounts intended to be used by UAACOG for specific purposes that are neither restricted nor committed. Intent is expressed by UAACOG's management to which the assigned amounts are to be used for specific purposes.
- Unassigned – this is the residual classification for the general fund.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications, fund balance is reduced in the order of restricted, committed, assigned and unassigned.

In the government-wide financial statements, net position is classified in the following categories:

- Net investment in capital assets – this classification consists of capital assets net of accumulated depreciation and reduced by outstanding related debt that is attributed to the acquisition, construction or improvement of capital assets.
- Restricted net position – this classification consists of restrictions created by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation and constitutional provisions.
- Unrestricted net position – this classification represents the remainder of net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

N. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

O. NEW ACCOUNTING PRONOUNCEMENTS

For 2022, the Upper Arkansas Area Council of Governments implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financing of the right to use and underlying asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the Upper Arkansas Area Council of Government's 2022 financial statements.

The implementation of GASB Statement No. 87 had no affect on net position as reported December 31, 2021.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents are summarized as follows:

Cash and cash equivalents –	
Cash on hand	\$ 500
Demand deposits	<u>1,285,488</u>
	<u><u>\$1,285,988</u></u>

Deposits

At December 31, 2022, the carrying amount of the UAACOG's deposits was \$1,285,488 and the bank balance was \$1,361,744. Of the bank balance, \$322,850 was covered by federal depository insurance and \$1,038,894 was collateralized in single financial institution collateral pools maintained by the individual financial institutions that hold these deposits. Colorado law requires that depository institutions must apply for and be designated as an eligible public depository before the institution can accept public monies. The depository must pledge eligible collateral as security for all public deposits held by that institution that are not insured by depository insurance. The fair value of the collateral that each institution pledges as security must equal at least 102% of the total uninsured deposits held by that institution. Generally, the eligible collateral in the collateral pools is held by the depository institution or its agent in the name of the depository institution.

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (cont'd.)

Custodial credit risk is the risk that, in the event of a bank failure, the UAACOG's deposits may not be returned to it. The UAACOG does not have a policy for custodial credit risk. As of December 31, 2022, deposits with a bank balance of \$1,038,894 are uninsured but are not exposed to custodial credit risk because they are collateralized with securities held by the pledging financial institution's agent in the institution's name.

Investments - The UAACOG is subject to the provisions of Colorado Revised Statutes 24-75-601 entitled "Concerning Investment in Securities by Public Entities." This law, among other things, outlines the types of securities that public entities in Colorado may acquire and hold as investments. These include U.S. government and agency securities, certain bonds of political subdivisions, bankers' acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds, negotiable certificates of deposits fully covered by FDIC insurance and guaranteed insurance contracts. The statute also includes a provision limiting any investment to a five-year maturity unless the governing body authorizes a longer period.

As of December 31, 2022, the following investments were included in the UAACOG's investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>In Years</u>	
		<u>Less Than 1</u>	<u>1-5</u>
Investment in CSAFE CORE investment pool	\$1,359,912	\$1,359,912	\$ -
Cash account with brokerage	250	250	-
Treasury Money Market Mutual Fund	96,314	96,314	-
Brokered CD's	961,834	724,569	237,265
	<u>\$2,418,310</u>	<u>\$2,181,045</u>	<u>\$ 237,265</u>

The investment in Colorado Surplus Asset Fund Trust (CSAFE) is an external investment pool that is not registered with the SEC as an investment company but has policies that provide that they will and do operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value in computing share prices if certain conditions are met. The regulatory oversight for CSAFE rests with the Colorado Securities Commission and the fair value of UAACOG's investment in CSAFE is the same as the value of the pool shares.

The Shadow NAV for the CSAFE funds will be calculated at the conclusion of each business day based on market pricing received from the previous day's market close. CSAFE's CORE Shadow NAV will be used to establish the Transactional Share Price for all trades entered into on the same business day. The Board of Trustees reserves the right to suspend transactions at that day's price should a significant but unlikely event give the Board or its investment advisors reason to believe that the Fund's Shadow NAV has materially changed. In such a situation, transactions may be executed at a price established by the Funds' Shadow NAV at the close of business or any subsequent day when market values can be accurately determined. At December 31, 2022, amortized cost approximates fair value.

Brokered CDs of \$961,834 are valued using a matrix pricing model (Level 2 inputs).

UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (cont'd.)

Interest Rate Risk – The UAACOG's policy of limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates parallels Colorado statutes. Specifically, all securities are limited to a maximum maturity of five years from date of purchase unless the governing body authorizes a longer period.

Credit Risk – The UAACOG does not have an investment policy that would further limit its investment choices beyond the requirements of Colorado statutes.

NOTE 3 - RECEIVABLES

Receivables at December 31, 2022 consist of the following:

<u>Governmental Activities</u>	<u>General Fund</u>	<u>Governmental Designated Purpose Grants</u>	<u>Upper Arkansas Area Development Corporation</u>	<u>Total</u>
Other governments	\$ 89,643	\$ 791,705	\$ -	\$ 881,348
Other receivables-				
Loans	-	1,470,110	1,564,127	3,034,237
Accrued interest	533	4,111	29,209	33,853
Other	<u>47,460</u>	<u>11,368</u>	<u>-</u>	<u>58,828</u>
	137,636	2,277,294	1,593,336	4,008,266
Less: allowance for loan losses	<u>-</u>	<u>(128,225)</u>	<u>(534,136)</u>	<u>(662,361)</u>
	<u>\$ 137,636</u>	<u>\$ 2,149,069</u>	<u>\$ 1,059,200</u>	<u>\$ 3,345,905</u>
Amount not scheduled for collection during subsequent year	<u>\$ -</u>	<u>\$ 1,050,000</u>	<u>\$ 900,000</u>	<u>\$ 1,950,000</u>

Leases Receivable

The Arkansas Area Council of Governments entered in an agreement to lease 3224-B Independence Road, Canon City to the State of Colorado on July 2, 2019 with an initial 5-year term ending on June 30, 2024. The lease does not contain a renewal option. In addition, the lease receivable was discounted using a rate of 2%, the risk-free rate when the lease was initiated.

For the year ended December 31, 2022, the Upper Arkansas Area Council of Governments reported \$26,881 in lease revenue and \$1,119 in lease interest revenue. The lease receivable and related deferred inflow of resources for the year ended December 31, 2022 was \$41,344 and \$42,000, respectively.

UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 – INTERFUND TRANSFERS

Transfers for the year ended December 31, 2022 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 11,080	\$ 51,956
Governmental designated purpose grant fund	51,490	11,080
Upper Arkansas Area Development Corporation	-	124
Upper Arkansas Regional Service Council	<u>590</u>	<u>-</u>
	<u>\$ 63,160</u>	<u>\$ 63,160</u>

Transfers are made to meet matching requirements, to close out certain projects that have ended, and to start other projects as agreed with funding agencies.

NOTE 5 - CAPITAL ASSETS

An analysis of changes in capital assets for the year ended December 31, 2022 follows:

<u>Governmental Activities</u>	Balance January 1, 2022	<u>Additions</u>	<u>Deletions</u>	Balance December 31, 2022
Nondepreciable assets-				
Land	\$ 62,500	\$ -	\$ -	\$ 62,500
Total capital assets not being depreciated	<u>62,500</u>	<u>-</u>	<u>-</u>	<u>62,500</u>
Depreciable assets –				
Buildings and improvements	2,609,893	22,525	-	2,632,418
Vehicles and equipment	<u>439,099</u>	<u>79,373</u>	<u>(133,023)</u>	<u>385,449</u>
Total capital assets being depreciated	<u>3,048,992</u>	<u>101,898</u>	<u>(133,023)</u>	<u>3,017,867</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,541,453)	(56,624)	-	(1,598,077)
Vehicles and equipment	<u>(289,319)</u>	<u>(21,846)</u>	<u>104,681</u>	<u>(206,484)</u>
Total accumulated depreciation	<u>(1,830,772)</u>	<u>(78,470)</u>	<u>104,681</u>	<u>(1,804,561)</u>
Capital assets being depreciated, net	<u>1,218,220</u>	<u>23,428</u>	<u>(28,342)</u>	<u>1,213,306</u>
Total Governmental Activities Capital Assets, net	<u>\$1,280,720</u>	<u>\$ 23,428</u>	<u>\$ (28,342)</u>	<u>\$1,275,806</u>

Total depreciation expense was charged to the following functions/programs of the UAACOG as follows:

General government	\$ 48,646
Child development and welfare	22,337
Aging	<u>7,487</u>
	<u>\$ 78,470</u>

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 6 – LONG-TERM DEBT

Long-term debt activity for the year ended December 31, 2022 is as follows:

	Balance January 1, <u>2022</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2022</u>	Due Within <u>One Year</u>
Governmental activities –					
Notes payable	\$ 605,120	\$ -	\$ (73,039)	\$ 532,081	\$ 14,458
Obligations for					
Compensated absences	<u>78,045</u>	<u>123,948</u>	<u>(116,075)</u>	<u>85,918</u>	<u>85,918</u>
Total Governmental					
Activities, Long-term					
Liabilities	<u>\$ 683,165</u>	<u>\$ 123,948</u>	<u>\$ (189,114)</u>	<u>\$ 617,999</u>	<u>\$ 100,376</u>

Outstanding notes payable at December 31, 2022 are described as follows:

\$700,000 USDA-Rural Development note; due in monthly principal and interest installments of \$3,066 through June 2045; interest rate of 4.25% and collateralized by real estate with a carrying value of \$978,617 at December 31, 2022; debt serviced by general fund \$ 532,081

The following schedule reflects the debt service requirements to maturity of the UAACOG's governmental activities long-term obligations as of December 31, 2022:

Year ended December 31	Total	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 14,458	\$ 22,334
2024	15,085	21,707
2025	15,738	21,054
2026	16,420	20,371
2027	17,132	19,660
2028-2032	97,462	86,498
2033-2037	120,492	63,468
2038-2042	148,965	34,995
2043-2045	<u>86,329</u>	<u>4,776</u>
	<u>\$ 532,081</u>	<u>\$ 294,863</u>

NOTE 7 – RISK MANAGEMENT

The UAACOG is exposed to various risks of loss related to employee health coverage; injuries to employees; torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters for which the UAACOG carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 8 – DEFINED CONTRIBUTION PENSION PLAN

The UAACOG contributes to an Internal Revenue Code (IRC) 457 plan (the Plan) for all of its full-time employees who choose to participate and meet the terms and the Plan is administered by John Hancock Financial Services.

Benefit terms, including contribution and matching requirements, for the Plan are established and may be amended by the Board of Directors. The Plan allows employees to defer a portion of their compensation as provided by the IRC. Employees may defer up to 25% of their covered salaries up to the maximum allowed under the IRC and the UAACOG has elected to match up to 5% of each participant's compensation. For the year ended December 31, 2022, employer contributions totaled \$40,799 and the UAACOG recognized pension expense of \$40,799.

The employees are fully vested in their own contributions and the earnings on those contributions, along with the UAACOG's contributions and earnings on those contributions upon the completion of one year of service.

NOTE 9 – DEFERRED INFLOWS OF RESOURCES

The amounts included as deferred inflows of resources represent amounts received from various governmental funding agencies and can only be spent on certain expenditures. As those expenditures are incurred, UAACOG will recognize the revenue. Amount included in the governmental funds balance sheet total \$406,031 and amounts included in the statement of net position total \$406,031. The amount of leases receivable included in the governmental balance sheet and included in the statement of net assets total \$41,344.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Federal and State Governmental Assistance

The UAACOG receives significant assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the UAACOG. In the opinion of management, however, any such disallowed claims would not have a material effect on the financial statements of the UAACOG as of and for the year ended December 31, 2022.

TABOR Amendment

Colorado voters approved an amendment to the state constitution which contains several limitations, including revenue raising, spending abilities, and other specific requirements affecting state and local governments. The amendment is complex and subject to judicial interpretation; however, the UAACOG believes it is exempt from the amendment.

NOTE 11 – SUBSEQUENT EVENTS

Management of the Upper Arkansas Area Council of Governments has evaluated subsequent events through May 30, 2023, the date the financial statements were available to be issued.

GOVERNMENT AUDITING STANDARDS

AND

UNIFORM GUIDANCE REPORTS

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2022**

SUMMARY OF INDEPENDENT AUDITORS' RESULTS

FINANCIAL STATEMENTS

An unmodified opinion was rendered on the financial statements of Upper Arkansas Area Council of Governments as of and for the year ended December 31, 2022 that were prepared in accordance with generally accepted accounting principles.

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(s) identified that are not considered to be material weaknesses? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

FEDERAL AWARDS

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(s) identified that are not considered to be material weaknesses? _____ Yes X None Reported

An unmodified opinion on compliance for major programs was issued.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

CFDA Number

10.557
93.600

Name of Federal Program or Cluster

WIC-Women, Infants and Children
Head Start

Dollar amount used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee: _____ Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

SECTION III - FEDERAL AWARD FINDING AND QUESTIONED COSTS

None.

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2022**

Upper Arkansas Area Council of Governments respectfully submits the following summary of schedule of prior audit findings for the year ended December 31, 2022.

Audit Period: 2021

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINANCIAL STATEMENT FINDING

Finding 2021-001: Year-end Adjustments

Condition: The finding was related to internal control and cutoff over the process of posting year-end adjustments.

Status: Corrective action taken. This was not a repeat finding during the 2022 fiscal year audit.

FEDERAL AWARD FINDING AND QUESTIONED COSTS

Finding 2021-002 Allowable Costs/Principles

Condition: This finding was related to internal control over general reporting compliance related to the reporting of federal expenditures on the schedule of expenditures of federal awards.

Status: This was not a repeat finding for the 2022 fiscal year audit.

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022**

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>Assistance Listing Number</u>	<u>Pass-Through</u>		<u>Total Federal Expenditures</u>
		<u>Entity's Identifying Number</u>	<u>Pass- through to Subrecipients</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct assistance -				
Head Start	93.600	Not applicable	\$ -	\$ 1,264,588
COVID 19 - Head Start	93.600	Not applicable	-	122,757
Total Head Start			-	1,387,345
Passed through Colorado Department of Local Affairs				
Community Services Block Grant	93.569	L21CSBG43	-	117,774
COVID 19 - Community Services Block Grant	93.569	L18CSBG43	-	42,101
Total Community Services Block Grant			-	159,875
Passed through Colorado Department of Human Services				
Child Care and Development Block Grant	93.575	Not applicable	-	68,908
Special Programs for the Aging -				
Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	23 IHEA 178835	-	707
Title VII - Long Term Care Ombudsman	93.042	22 IHEA 169047/ 22 IHEA 171649 / 23 IHEA 174569 / 23 IHEA 178835	-	2,033
Title III - Part D-Disease Prevention/Health Promotion	93.043	22 IHEA 169047/ 22 IHEA 171649 / 23 IHEA 174569 / 23 IHEA 178835	-	1,417
National Family Caregiver Support	93.052	22 IHEA 169047/ 22 IHEA 171649 / 23 IHEA 174569 / 23 IHEA 178835	-	90,288

UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Cont'd.)
YEAR ENDED DECEMBER 31, 2022

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	Assistance Listing Number	Pass-Through Entity's Identifying Number	Pass- through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (cont'd.)				
Aging Cluster				
		22 IHEA 169047/ 22 IHEA 171649 / 23 IHEA 174569 /		
Title III - Part B - Grants for Supportive Services	93.044	23 IHEA 178835	-	244,646
COVID 19-Title III - Part B Grants for Supportive Svcs	93.044	2101COVAC5-00	3,570	8,726
Total Title III - Part B - Grants for Supportive Svcs			3,570	253,372
		22 IHEA 169047/ 22 IHEA 171649 / 23 IHEA 174569 /		
Title III - Part C - Nutrition Services	93.045	23 IHEA 178835	10,000	352,539
		22 IHEA 169047/ 22 IHEA 171649 / 23 IHEA 174569 /		
Nutrition Services Incentive Program	93.053	23 IHEA 178835	-	13,560
Total Aging Cluster			13,570	619,471
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			13,570	2,330,044
U.S. DEPARTMENT OF AGRICULTURE				
Passed through Colorado Department of Public Health and Environment				
Women, Infants and Children (Cash)	10.557	2022*2401	-	280,900
		2023*2249		
Women, Infants and Children (EBT's)	10.557	2022*2401		
		2023*2249	-	752,514
Total - Women, Infants and Children			-	1,033,414
Child and Adult Care Food Program	10.558	Not applicable	-	86,635
Direct assistance				
Rural Development				
Rural Self-Help Housing Technical Assistance	10.420	Not applicable	-	167,248

UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Cont'd.)
YEAR ENDED DECEMBER 31, 2022

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	Assistance Listing Number	Pass-Through Entity's Identifying Number	Pass- through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE (cont'd.)				
Passed through Care and Share Food Bank For Southern Colorado Food Distribution Cluster Emergency Food Assistance Program Commodities - (Non-Cash)	10.569	960TEF1	-	342,457
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	1,629,754
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through Colorado Housing & Finance Authority Housing Counseling Assistance Program	14.169	HC190841001/	-	16,425
Passed through Colorado Housing & Finance Authority Housing Stabilization Counseling Program	99.U19	Not applicable	-	6,212
Passed through Colorado Department of Local Affairs Housing Voucher Cluster Section 8 Housing Choice Vouchers - Admin	14.871	CMS #110110	-	166,187
Passed through Fremont County, Colorado Community Development Block Grant	14.228	H1CDB21004	-	124,148
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			-	312,972
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through Colorado Department of Transportation Formula Grant for Rural Areas	20.509	21-HTR-ZL-00314 / 22-HTR-ZL-00211	319,079	359,653
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			319,079	359,653

UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Cont'd.)
YEAR ENDED DECEMBER 31, 2022

	Assistance	Pass-Through		
FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	Listing Number	Entity's Identifying Number	Pass-through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF LABOR				
Passed through Colorado Department of Labor & Employment				
Rural Services Delivery Area				
WIOA Cluster				
		102333/2188 169400/GAE 2022-0238		
WIOA - Adult Program	17.258		-	148,425
		102333/2188 169400/GAE 2022-0238		
WIOA - Youth Activities	17.259		-	122,112
		102333/2188 169400/GAE 2022-0238		
WIOA - Dislocated Workers	17.278		-	56,493
Total WIOA Cluster			-	327,030
WIOA - Support to Communities: Fostering Opioid				
Recovery Through Workforce Development	17.277	169400 GAE 2022-0238	-	74,828
TOTAL U.S. DEPARTMENT OF LABOR			-	401,858
U.S. DEPARTMENT OF THE TREASURY				
Passed through Colorado Housing and Finance Authority				
Coronavirus Relief Fund	21.019	Not applicable	-	434,481
TOTAL U.S. DEPARTMENT OF THE TREASURY			-	434,481
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 332,649	\$ 5,468,762

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Upper Arkansas Area Council of Governments under programs of the federal government for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Upper Arkansas Area Council of Governments, it is not intended to and does not present the financial position or changes in net assets of the Upper Arkansas Area Council of Governments.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in *OMB Circular A-87; Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in Title 2, U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Upper Arkansas Area Council of Governments has elected not to use the 10 percent de minimus indirect cost rate allowed under Uniform Guidance.



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Certified Public Accountants

**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
Upper Arkansas Area Council of Governments
Cañon City, Colorado

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 the Upper Arkansas Area Council of Governments, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Upper Arkansas Area Council of Government's basic financial statements, and have issued our report thereon dated May 30, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Upper Arkansas Area Council of Government'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 Upper Arkansas Area Council of Government's internal control. Accordingly, we do not express an opinion on the effectiveness of the Upper Arkansas Area Council of Government'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Upper Arkansas Area Council of Government's financial statements are free from 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.

McPherson, Goodrich, Pasucci & Mihelich, PC

May 30, 2023



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Board of Directors
Upper Arkansas Area Council of Governments
Cañon City, Colorado

**Report on Compliance for Each Major Program
*Opinion on Each Major Federal Program***

We have audited the Upper Arkansas Area Council of Government's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Upper Arkansas Area Council of Government's major federal programs for the year ended December 31, 2022. The Upper Arkansas Area Council of Government's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Upper Arkansas Area Council of Governments complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Upper Arkansas Area Council of Governments and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Upper Arkansas Area Council of Government's compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Upper Arkansas Area Council of Government's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Upper Arkansas Area Council of Government's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with compliance requirements referred to above is considered material, if there is substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Upper Arkansas Area Council of Government's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Upper Arkansas Area Council of Government's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Upper Arkansas Area Council of Government's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Upper Arkansas Area Council of Government's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified in the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McPherson, Goodrich, Paolucci & Mihelich, PC
May 30, 2023