

UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2020

UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS

Official Roster

December 31, 2020

Board of Directors

Dwayne McFall	Chairman
Rusty Granzella	Vice-Chairman
Sarah Mudge	Secretary-Treasurer
Greg Labbe	Director
Jay Printz	Director
H.A. "Buck" Wenzel	Director
Dan Shore	Director
Anthony Esquibel	Director

Officer

Jessica Scott	Executive Director
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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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, 2020, and the related notes to the financial statements, which collectively comprise the UAACOG's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Upper Arkansas Area Council of Governments as of December 31, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i through iii 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 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.

Other 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.

The schedule of expenditures of federal awards 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 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 28, 2021 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, Diodrich, Paolucci & Michelich, PC

May 28, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020

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, 2020. We encourage readers to read the information presented here in conjunction with the financial statements that follow this narrative.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2020

The assets of the UAACOG exceeded its liabilities and deferred inflows of revenues by \$7,066,040 at the close of the fiscal year. Of this amount, \$6,263,211 may be used to meet the Agency's ongoing obligations.

The total assets of the UAACOG decreased by \$129,426 or approximately 1.49%, liabilities decreased by \$105,974 or approximately 7.66%, and deferred inflows of resources decreased by \$206,192 or approximately 47.61% when compared to the previous year resulting in a total increase in the net position of \$182,740.

Total revenues increased by 21.02% from last year. Contracts received from all designated purpose grants increased by 21.27% and General Fund revenues decreased by 19.18%. Total investment earnings decreased by 46.52%, while donations and fundraising activities increased by 231.5%. This increase was due to increased revenues from private donors for emergency services funding and additional COVID-related funding from private foundations. The decrease in investment earnings was due to the reduced performance of bond revenue from the previous year. Funding from Federal and State sources increased due to additional COVID funding.

Expenditures increased by 23.86%, due to increased revenues.

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	1.9%
Housing	12.1%
Child Development and Welfare	24.0%
Environmental Protection	3.6%
Job Training	6.6%
Nutrition	4.0%
Services for the Aging	17.2%
Transportation	4.7%
Economic Development	9.8%
Upper Arkansas Area Development Corp.	12.8%
Upper Arkansas Regional Service Council	0.3%

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 2020 to the prior fiscal year.

Statement of Net Position As of December 31, 2020 and 2019

	<u>2020</u>		<u>2019</u>
Current and other assets	\$ 7,208,524		\$ 7,211,942
Capital Assets	<u>1,361,051</u>		<u>1,487,059</u>
Total Assets	<u>8,569,575</u>		<u>8,699,001</u>
Current Liabilities	511,647		435,271
Long-term liabilities	<u>764,962</u>		<u>947,312</u>
Total Liabilities	<u>1,276,609</u>		<u>1,382,583</u>
Deferred Inflows of Resources:			
Deferred Revenues	<u>226,926</u>		<u>433,118</u>
Net Position:			
Net investment in capital assets	802,829		915,106
Restricted for grantor purposes	5,694,597		5,625,384
Unrestricted	<u>568,614</u>		<u>342,810</u>
Total Net Position	\$ <u>7,066,040</u>		\$ <u>6,883,300</u>

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, 2020 and 2019

	<u>2020</u>		<u>2019</u>
Revenues:			
Program revenues			
Charges for services	\$ 812,560	\$	818,067
Operating grants and contributions	5,883,291		4,886,173
General revenues			
Earnings on investments	25,880		48,394
Loss on disposal of assets	<u>< 93,159 ></u>		<u>-</u>
Total Revenues	<u>6,628,572</u>		<u>5,752,634</u>
Expenses:			
General Government	196,167		319,250
Health and Safety	126,467		104,999
Housing	825,821		780,735
Child Development and Welfare	1,636,235		1,467,888
Environmental Protection	157,210		149,855
Job Training	445,836		461,032
Nutrition	267,156		264,178
Services for the Aging	1,156,050		1,230,086
Transportation	346,047		280,874
Economic Development	665,463		46,467
Upper Arkansas Area Development Corp.	580,178		186,738
Upper Arkansas Regional Service Council	17,573		4,949
Interest on long-term debt	<u>25,629</u>		<u>27,247</u>
	<u>6,445,832</u>		<u>5,624,298</u>
Change in net position	182,740		428,336
Beginning net position	<u>6,883,300</u>		<u>6,454,964</u>
Ending net position	\$ <u>7,066,040</u>	\$	<u>6,883,300</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, 2020**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,167,981
Due from other governments	663,092
Investments	2,254,625
Other receivables -	
Loans, net of allowance for uncollectible	2,893,052
Accrued interest	32,372
Other	16,014
Prepaid expenses	7,326
Inventory	174,062
Capital assets -	
Land	62,500
Buildings and improvements, net	1,125,750
Vehicles and equipment, net	172,801
Total capital assets, net	1,361,051
TOTAL ASSETS	8,569,575
LIABILITIES	
Accounts payable and accrued expenses	453,121
Accrued salaries and benefits	58,526
Long-term liabilities -	
Due within one year	219,022
Due in more than one year	545,940
TOTAL LIABILITIES	1,276,609
Deferred inflows of resources	226,926
NET POSITION	
Net investment in capital assets	802,829
Restricted for grantor purposes	5,694,597
Unrestricted	568,614
TOTAL NET POSITION	\$ 7,066,040

The accompanying notes are an integral part of this statement.

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

<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	\$ 144,557	\$ 79,775	\$ 164,022	\$ 99,240
Health and safety	126,467	-	126,467	-
Housing	823,751	348,380	463,629	(11,742)
Child development and welfare	1,636,235	88,849	1,518,451	(28,935)
Environmental protection	157,210	42,827	199,653	85,270
Job training	445,836	-	445,055	(781)
Nutrition	267,156	-	245,010	(22,146)
Services for the aging	1,156,050	61,557	1,066,005	(28,488)
Transportation	317,725	-	311,341	(6,384)
Economic development	642,174	6,834	647,296	11,956
Upper Arkansas Area Development Corp.	580,178	158,209	600,459	178,490
Upper Arkansas Regional Service Council	17,573	1,244	15,497	(832)
Interest on long-term debt	<u>25,629</u>	<u>-</u>	<u>-</u>	<u>(25,629)</u>
Total governmental activities	<u>\$ 6,340,541</u>	<u>\$ 787,675</u>	<u>\$ 5,802,885</u>	<u>250,019</u>
General revenues -				
				25,880
				<u>(93,159)</u>
				<u>(67,279)</u>
			Change in net position	182,740
			Net position, beginning of year	<u>6,883,300</u>
			Net position, end of year	<u><u>\$ 7,066,040</u></u>

The accompanying notes are an integral part of this statement.

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General Fund	Governmental Designated Purpose Grants	Upper Arkansas Area Development Corporation	Upper Arkansas Regional Service Council	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 314,828	\$ 414,595	\$ 437,808	\$ 750	\$ 1,167,981
Receivable from other governments	8,089	568,753	86,250	-	663,092
Investments	282,583	947,045	1,024,997	-	2,254,625
Other receivables:					
Loans, net of allowance for uncollectible	-	1,509,177	1,383,875	-	2,893,052
Accrued interest	289	7,776	24,307	-	32,372
Other	6,232	9,782	-	-	16,014
Prepaid items	6,901	425	-	-	7,326
Inventory	-	174,062	-	-	174,062
TOTAL ASSETS	\$ 618,922	\$ 3,631,615	\$ 2,957,237	\$ 750	\$ 7,208,524
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 104,335	\$ 174,810	\$ 172,329	\$ 750	\$ 452,224
Accrued salaries and benefits	33,703	24,169	654	-	58,526
TOTAL LIABILITIES	138,038	198,979	172,983	750	510,750
 DEFERRED INFLOWS OF RESOURCES	 14,306	 148,076	 64,544	 -	 226,926
 FUND BALANCES					
Nonspendable					
Inventory	-	174,062	-	-	174,062
Prepaid items	6,901	425	-	-	7,326
Long-term receivables (restricted)	-	1,249,000	1,200,000	-	2,449,000
Restricted					
Grantor purposes	-	-	1,519,710	-	1,519,710
Unassigned	459,677	1,861,073	-	-	2,320,750
TOTAL FUND BALANCES	466,578	3,284,560	2,719,710	-	6,470,848
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 618,922	\$ 3,631,615	\$ 2,957,237	\$ 750	\$ 7,208,524

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, 2020**

Total fund balances for governmental funds \$ 6,470,848

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	2,609,893	
Vehicles and equipment	439,098	
Less accumulated depreciation	<u>(1,750,440)</u>	1,361,051

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	\$ (667,949)	
Accrued interest	(897)	
Accrued compensated absences	<u>(97,013)</u>	<u>(765,859)</u>

Total Net Position - Governmental Activities \$ 7,066,040

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, 2020

	General Fund	Governmental Designated Purpose Grants	Upper Arkansas Area Development Corporation	Upper Arkansas Regional Service Council	Total Governmental Funds
REVENUES					
Intergovernmental	\$ 117,042	\$ 4,899,890	\$ 693,259	\$ -	\$ 5,710,191
Charges for services	79,775	548,447	158,209	1,244	787,675
Investment earnings	3,755	8,553	13,572	-	25,880
Donations	46,980	123,017	-	15,497	185,494
TOTAL REVENUES	<u>247,552</u>	<u>5,579,907</u>	<u>865,040</u>	<u>16,741</u>	<u>6,709,240</u>
EXPENDITURES					
Current					
General government	103,463	-	-	-	103,463
Health and safety	-	126,467	-	-	126,467
Housing	-	816,103	-	-	816,103
Child development and welfare	-	1,607,299	-	-	1,607,299
Environmental protection	-	206,006	-	-	206,006
Job training	-	445,836	-	-	445,836
Nutrition	-	267,156	-	-	267,156
Services for the aging	-	1,149,817	-	-	1,149,817
Transportation	-	317,726	-	-	317,726
Economic development	-	642,173	-	-	642,173
Upper Arkansas Area Development Corporation	-	-	581,132	-	581,132
Upper Arkansas Area Service Council	-	-	-	17,573	17,573
Debt service -					
Principal	12,730	170,917	-	-	183,647
Interest and other charges	24,062	2,351	-	-	26,413
TOTAL EXPENDITURES	<u>140,255</u>	<u>5,751,851</u>	<u>581,132</u>	<u>17,573</u>	<u>6,490,811</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>107,297</u>	<u>(171,944)</u>	<u>283,908</u>	<u>(832)</u>	<u>218,429</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	50,537	50,779	3,144	832	105,292
Transfers out	(51,611)	(53,681)	-	-	(105,292)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,074)</u>	<u>(2,902)</u>	<u>3,144</u>	<u>832</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	106,223	(174,846)	287,052	-	218,429
FUND BALANCES, beginning of year	<u>360,355</u>	<u>3,459,406</u>	<u>2,432,658</u>	<u>-</u>	<u>6,252,419</u>
FUND BALANCES, end of year	<u>\$ 466,578</u>	<u>\$ 3,284,560</u>	<u>\$ 2,719,710</u>	<u>\$ -</u>	<u>\$ 6,470,848</u>

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, 2020**

Net change in fund balances-total governmental funds \$ 218,429

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	\$	(92,093)	
Capital outlay		59,243	
Loss on disposal of assets		<u>(93,159)</u>	(126,009)

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	\$	183,647	
Change in accrued interest payable		772	
Change in compensated absences liability		<u>(1,299)</u>	<u>183,120</u>

Deferred inflows of resources for amounts not received within the availability period are not current financial resources and are reported as resources in a previous period for government wide purposes (92,800)

Change in Net Position of Governmental Activities \$ 182,740

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, 2020**

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); 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, 2020**

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. 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, 2020**

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, 2020**

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

Inventory consists of consumable and food supplies used in the Aging Program and Head Start Program and land held for resale in the Housing Program and UAADC. 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. Land held for resale is reported at the lower of cost or fair value, fair value determined as estimated net realizable value. Inventory at December 31, 2020 consists of the following:

	<u>Governmental Designated Purpose Grants</u>
Consumable supplies	\$ 24,348
Land held for resale	<u>149,714</u>
	<u>\$ 174,062</u>

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

H. 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

I. 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.

J. 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.

K. 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, 2020**

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

L. 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, 2020**

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

M. 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.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents are summarized as follows:

Cash and cash equivalents –	
Cash on hand	\$ 450
Demand deposits	<u>1,167,531</u>
	<u>\$1,167,981</u>

Deposits

At December 31, 2020, the carrying amount of the UAACOG's deposits was \$1,167,531 and the bank balance was \$1,287,864. Of the bank balance, \$335,108 was covered by federal depository insurance and \$952,756 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.

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, 2020, deposits with a bank balance of \$952,756 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.

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

As of December 31, 2020, 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	\$1,196,623	\$1,196,623	\$ -
Cash account with brokerage	255,761	255,761	-
Treasury Money Market Mutual Fund	594,389	594,389	-
Brokered CD's	207,852	-	207,852
	<u>\$2,254,625</u>	<u>\$2,046,773</u>	<u>\$ 207,852</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, 2020, amortized cost approximates fair value.

Brokered CD's of \$207,852 are valued using a matrix pricing model (Level 2 inputs).

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.

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 3 - RECEIVABLES

Receivables at December 31, 2020 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	\$ 8,089	\$ 568,753	\$ 86,250	\$ 663,092
Other receivables-				
Loans	-	1,681,985	1,734,814	3,416,799
Accrued interest	289	7,776	24,307	32,372
Other	<u>6,232</u>	<u>9,782</u>	<u>-</u>	<u>16,014</u>
	14,610	2,268,296	1,845,371	4,128,277
Less: allowance for loan losses	<u>-</u>	<u>(172,808)</u>	<u>(350,939)</u>	<u>(523,747)</u>
	<u>\$ 14,610</u>	<u>\$ 2,095,488</u>	<u>\$ 1,494,432</u>	<u>\$ 3,604,530</u>
Amount not scheduled for collection during subsequent year	<u>\$ -</u>	<u>\$ 1,249,000</u>	<u>\$ 1,200,000</u>	<u>\$ 2,449,000</u>

NOTE 4 – INTERFUND TRANSFERS

Transfers for the year ended December 31, 2020 are as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 50,537	\$ 51,611
Governmental designated purpose grant fund	50,779	53,681
Upper Arkansas Area Development Corporation	3,144	-
Upper Arkansas Regional Service Council	<u>832</u>	<u>-</u>
	<u>\$ 105,292</u>	<u>\$ 105,292</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.

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 - CAPITAL ASSETS

An analysis of changes in capital assets for the year ended December 31, 2020 follows:

<u>Governmental Activities</u>	Balance January 1, 2020	<u>Additions</u>	<u>Deletions</u>	Balance December 31, 2020
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	-	-	2,609,893
Vehicles and equipment	<u>524,745</u>	<u>59,243</u>	<u>(144,889)</u>	<u>439,099</u>
Total capital assets being depreciated	<u>3,134,638</u>	<u>59,243</u>	<u>(144,889)</u>	<u>3,048,992</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,420,525)	(63,618)	-	(1,484,143)
Vehicles and equipment	<u>(289,554)</u>	<u>(28,475)</u>	<u>51,731</u>	<u>(266,298)</u>
Total accumulated depreciation	<u>(1,710,079)</u>	<u>(92,093)</u>	<u>51,731</u>	<u>(1,750,441)</u>
Capital assets being depreciated, net	<u>1,424,559</u>	<u>(32,850)</u>	<u>(93,158)</u>	<u>1,298,551</u>
Total Governmental Activities Capital Assets, net	<u>\$1,487,059</u>	<u>\$ (32,850)</u>	<u>\$ (93,158)</u>	<u>\$1,361,051</u>

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

General government	\$ 46,477
Child development and welfare	28,936
Environmental protection	10,447
Aging	<u>6,233</u>
	<u>\$ 92,093</u>

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 – LONG-TERM DEBT

Long-term debt activity for the year ended December 31, 2020 is as follows:

	Balance January 1, <u>2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2020</u>	Due Within <u>One Year</u>
Governmental activities –					
Notes payable	\$ 851,598	\$ -	\$ (183,649)	\$ 667,949	\$ 122,009
Obligations for					
Compensated absences	<u>95,714</u>	<u>157,220</u>	<u>(155,921)</u>	<u>97,013</u>	<u>97,013</u>
Total Governmental Activities, Long-term Liabilities	<u>\$ 947,612</u>	<u>\$ 157,220</u>	<u>\$ (339,570)</u>	<u>\$ 764,962</u>	<u>\$ 219,022</u>

Outstanding notes payable at December 31, 2020 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 \$1,057,991 at December 31, 2020; debt serviced by general fund

\$ 559,222

\$363,393 note payable to Colorado Division of Housing with 1% interest. Payments of \$25,000 principal plus accrued interest are due with the sale of each of 16 lots held as collateral in the Prairie Sage Subdivision. Any remaining balance plus accrued interest is due in full by December 31, 2021. Seven lots were sold in 2020. Debt serviced by governmental designated purpose grants fund.

108,727

\$ 667,949

The following schedule reflects the debt service requirements to maturity of the UAACOG's governmental activities long-term obligations as of December 31, 2020:

Year ended December 31	<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 122,009	\$ 26,405
2022	13,857	22,935
2023	14,458	22,334
2024	15,084	21,708
2025	15,738	21,054
2026-2030	89,533	94,425
2031-2035	110,690	73,271
2036-2040	136,846	47,114
2041-2045	<u>149,734</u>	<u>14,960</u>
	<u>\$ 667,949</u>	<u>\$ 344,206</u>

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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.

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, 2020, employer contributions totaled \$47,614 and the UAACOG recognized pension expense of \$47,614.

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 – OPERATING LEASES

The UAACOG leases a portion of its Canon City facilities to the Colorado Department of Labor and Employment (CDL&E). The lease requires CDL&E to remit monthly payments of \$2,333 from July 2019 through June 2024. The following is a summary of the future anticipated rental receipts:

<u>Year Ending December 31</u>	<u>Amount</u>
2021	\$ 28,000
2022	28,000
2023	28,000
2024	<u>14,000</u>
 Total	 <u>\$ 98,000</u>

NOTE 10 – 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 \$226,926 and amounts included in the statement of net position total \$226,926.

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 11 – 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, 2020.

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 12 – SUBSEQUENT EVENTS

COVID-19 Pandemic

Subsequent to year-end, the United States and global markets experienced significant declines in value resulting from the uncertainty caused by the world-wide coronavirus pandemic. UAACOG has been affected by the coronavirus pandemic in a number of ways.

UAACOG had to close most of its facilities for a short period of time. Within that short period of time, management developed and implemented a Continuity of Operation Plan to ensure services continued. All programs, with the exception of Head Start, became operational and more customers were assisted in 2020 than in previous years. Some facilities have had to have improvements made to allow for protection for customers and employees.

At the direction of the national Head Start office, they continued to provide funding for payroll and other required expenditures while operating at less than full capacity.

At this time, the effects of any future impacts are unknown.

GOVERNMENT AUDITING STANDARDS

AND

UNIFORM GUIDANCE REPORTS

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED DECEMBER 31, 2020**

There were no prior year findings.

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2020**

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, 2020 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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.557	Women, Infants & Children (WIC)
93.600	Head Start

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

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

FINANCIAL STATEMENT FINDINGS

No findings relating to the basic financial statements that are required to be reported in accordance with Government Auditing Standards were noted.

FEDERAL AWARD FINDING AND QUESTIONED COSTS

No findings or questioned costs for federal awards were noted.

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020**

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity's Identifying Number	Pass- through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct assistance -				
Head Start	93.600	Not applicable	\$ -	\$ 1,315,376
COVID 19 - Head Start	93.600	Not applicable	-	90,074
Total Head Start			-	1,405,450
Passed through Colorado Department of Local Affairs				
Community Services Block Grant	93.569	L18CSBG43	-	72,058
COVID 19 - Community Services Block Grant	93.569	L18CSBG43	-	44,409
Total Community Services Block Grant			-	116,467
Passed through Colorado Department of Human Services				
Special Programs for the Aging - Elder Abuse Prevention	93.041	20 IHEA 149574	-	254
Title VII - Long Term Care Ombudsman	93.042	20 IHEA 149574	-	927
Title III - Part D-Disease Prevention/Health Promotion	93.043	20 IHEA 149574	-	3,784
National Family Caregiver Support	93.052	20 IHEA 149574	-	10,712
COVID 19 - National Family Caregiver Support	93.052	2001COSSC3-00	-	30,760
Total National Family Caregiver Support			-	41,472
Aging Cluster				
Title III - Part B - Grants for Supportive Services	93.044	20 IHEA 149574	2,820	82,682
COVID 19- Title III - Part B - Grants for Support. Svc	93.044	2001COSSC3-00	910	63,822
Total Title III - Part B - Grants for Supportive Services			3,730	146,504
Title III - Part C - Nutrition Services	93.045	20 IHEA 128189	-	129,718
COVID 19 - Title III - Part C - Nutrition Services	93.045	2001COSSC3-00	-	244,053
Total Title III - Part C - Nutrition Services			-	373,771
Nutrition Services Incentive Program	93.053	20 IHEA 128189	-	30,469
Total Aging Cluster			3,730	550,744
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>3,730</u>	<u>2,119,098</u>

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Cont'd.)
YEAR ENDED DECEMBER 31, 2020**

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity's Identifying Number</u>	<u>Pass- through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE				
Passed through Colorado Department of Public Health and Environment Women, Infants and Children (Cash)	10.557	20FHLA140920 2021*2479	-	252,560
Women, Infants and Children (EBT's)	10.557	20FHLA140920	-	615,583
Total - Women, Infants and Children		2021*2479	-	868,143
Child and Adult Care Food Program	10.558	Not available	-	57,824
Direct assistance Rural Development Rural Self-Help Housing Technical Assistance	10.420	Not applicable	-	30,683
Passed through Care and Share Food Bank For Southern Colorado Food Distribution Cluster Emergency Food Assistance Program Commodities - (Non-Cash)	10.569	960TEF1	-	197,952
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	1,154,602
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through Colorado Housing & Finance Authority Housing Counseling Assistance Program	14.169	HC190841001/ HC200841001	-	35,098
Passed through Colorado Department of Local Affairs Housing Voucher Cluster Section 8 Housing Choice Vouchers - Admin	14.871	CMS #110110	-	186,444
Passed through Fremont County, Colorado Community Development Block Grant	14.228	HOCDB20005	-	104,826
Passed through Chaffee County, Colorado Community Development Block Grant	14.228	F18CDB18614	-	324,800
Total Community Development Block Grant			-	429,626

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Cont'd.)
YEAR ENDED DECEMBER 31, 2020**

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity's Identifying Number</u>	<u>Pass- through to Subrecipients</u>	<u>Total Federal Expenditures</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			-	<u>651,168</u>
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through Colorado Department of Transportation				
Formula Grant for Rural Areas	20.509	20-HTR-ZL-03096	162,143	183,401
COVID 19 - Formula Grant for Rural Areas	20.509	20-HTR-ZL-03217	<u>112,000</u>	<u>127,940</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>274,143</u>	<u>311,341</u>
U.S. DEPARTMENT OF LABOR				
Passed through Colorado Department of Labor & Employment				
Rural Services Delivery Area				
WIA Cluster				
WIA - Adult Program	17.258	102333	-	275,258
WIA - Youth Activities	17.259	102333	-	110,523
WIA - Dislocated Workers	17.278	102333	<u>-</u>	<u>59,298</u>
Total WIA Cluster			<u>-</u>	<u>445,079</u>
TOTAL U.S. DEPARTMENT OF LABOR			<u>-</u>	<u>445,079</u>
U.S. DEPARTMENT OF THE TREASURY				
Passed through Colorado Housing and Finance Authority				
COVID 19 - Coronavirus Relief Fund	21.019	CTGG1 2021-0158	<u>-</u>	<u>630,494</u>
TOTAL U.S. DEPARTMENT OF THE TREASURY			<u>-</u>	<u>630,494</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 277,873</u>	<u>\$ 5,311,782</u>

**UPPER ARKANSAS AREA COUNCIL OF GOVERNMENTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020**

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, 2020. 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, 2020, 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 28, 2021.

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 any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 statement. 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, Brodutch, Paolucci & Mehelich, PC

May 28, 2021



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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

We have audited the Upper Arkansas Area Council of Governments compliance with the types of compliance requirements described 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, 2020. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Upper Arkansas Area Council of Government's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Upper Arkansas Area Council of Government's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Upper Arkansas Area Council of Government's compliance.

Opinion on Each Major Federal Program

In our opinion, the Upper Arkansas Area Council of Governments complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of the Upper Arkansas Area Council of Governments is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Upper Arkansas Area Council of Government's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Upper Arkansas Area Council of Government's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 & Micheli, PC

May 28, 2021