

**NORTHEAST COLORADO ASSOCIATION
OF LOCAL GOVERNMENTS**

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2022

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
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 December 31, 2022

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LIITTJOHANN, KAUFFMAN, and PEDERSON
Certified Public Accountants

David A. Kauffman, C.P.A., P.C.

Daniel M. Pederson, C.P.A.'s, P.C.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Northeast Colorado Association of Local Governments
Fort Morgan, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Northeast Colorado Association of Local Governments as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund information of the Northeast Colorado Association of Local 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. 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 Northeast Colorado Association of Local Governments and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Northeast Colorado Association of Local Government's ability to continue as a going concern for twelve months beyond the financial statement date, including and 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 misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a 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 generally accepted 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 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 Northeast Colorado Association of Local 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 the Northeast Colorado Association of Local 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 during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-6 and 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Association's basic financial statements. The schedule of expenditures of 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 and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2023 on our consideration of the Association'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 Northeast Colorado Association of Local Government's internal control over financial reporting and compliance.


Fort Morgan, Colorado
July 17, 2023

**NORTHEASTERN COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

This section of the Northeastern Colorado Association of Local Governments' annual financial report presents our discussion and analysis of the Northeastern Colorado Association of Local Governments' financial performance during the year ended December 31, 2022.

FINANCIAL HIGHLIGHTS

- The total net position of the Northeastern Colorado Association of Local Governments increased by \$2,284,954.
- Actual revenues received were less than what had been anticipated in the budget by \$262,294.
- The actual expenditures made were less than what had been budgeted by \$1,257,719.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the Northeastern Colorado Association of Local Governments' basic financial statements. A comparison to the prior year's activity is provided in the document.

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 12 and 13) provide information about the activities of the Northeastern Colorado Association of Local Governments as a whole and present a longer-term view of the Northeastern Colorado Association of Local Governments' finances. Fund financial statements start on page 14. These statements tell how these services were financed in the short term as well as what remains for future spending. The Northeastern Colorado Association of Local Governments' basic financial statements are comprised of three components:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

THE ASSOCIATION AS A WHOLE

The government-wide financial statements are designed to provide interested readers with information about the Northeastern Colorado Association of Local Governments as a whole using accounting methods similar to those used by private-sector businesses.

The statement of net position includes all of the Northeastern Colorado Association of Local Governments' assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Northeastern Colorado Association of Local Governments is improving or deteriorating.

The statement of activities presents information showing how the Northeastern Colorado Association of Local Governments' 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 change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future years (e.g. earned but unused annual leave).

As noted earlier, net position may serve over time as a useful indicator of the Northeastern Colorado Association of Local Governments' financial position. In the case of the Northeastern Colorado Association of Local Governments, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$2,680,088 at the close of 2022, due primarily to the implementation of GASBS 68 and 75.

NET POSITION

| | <u>Year 2022</u> | <u>Year 2021</u> |
|--|---------------------|---------------------|
| Current assets | \$ 4,218,729 | \$ 2,721,431 |
| Non current assets | 231,489 | - |
| Capital assets | <u>1,357,648</u> | <u>1,223,695</u> |
| Total assets | 5,807,866 | 3,945,126 |
| Pension and OPEB deferrals | <u>93,616</u> | <u>847,034</u> |
| Total assets and deferred outflows of resources | <u>\$ 5,901,482</u> | <u>\$ 4,792,160</u> |
| Current liabilities | \$ 849,004 | \$ 346,461 |
| Long-term liabilities | <u>305,167</u> | <u>1,983,026</u> |
| Total liabilities | 1,154,171 | 2,329,487 |
| Pension and OPEB deferrals | 2,067,226 | 1,893,428 |
| Net investment in capital assets | 1,357,648 | 1,223,695 |
| Unrestricted net position | <u>1,322,440</u> | <u>(654,450)</u> |
| Total net position | <u>2,680,088</u> | <u>569,245</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 5,901,482</u> | <u>\$ 4,792,160</u> |

CHANGE IN NET POSITION

| | <u>Year 2022</u> | <u>Year 2021</u> |
|------------------------------------|---------------------|-------------------|
| Program revenues | | |
| Charges for services | \$ 1,502,573 | \$ 1,006,584 |
| Operating grants and contributions | 5,071,324 | 3,876,803 |
| Capital grants and contributions | - | 316,476 |
| General revenues | | |
| Investment earnings | 6,387 | 305 |
| Miscellaneous | 654,058 | 507,058 |
| Gain on disposal of assets | <u>21,126</u> | <u>-</u> |
| Total revenues | 7,255,468 | 5,707,226 |
| Program expenses | | |
| Salaries and related costs | 2,337,155 | 2,605,598 |
| Materials and services | 2,538,813 | 2,055,904 |
| Depreciation | <u>268,657</u> | <u>272,062</u> |
| Total expenses | 5,144,625 | 4,933,564 |
| Change in net position | 2,110,843 | 773,662 |
| Net position at beginning of year | <u>569,245</u> | <u>(204,417)</u> |
| Net position at end of year | <u>\$ 2,680,088</u> | <u>\$ 569,245</u> |

THE ASSOCIATION'S FUND

The Association's only fund is the General Fund, which is used to account for all financial resources since there are no activities required to be separately accounted for. As the Association completed the year, its General Fund reported a fund balance of \$3,369,725, which is \$994,755 more than reported last year.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information this is essential to a full understanding of the data provided in the basic financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements and notes, this report also presents other supplementary information concerning the Northeastern Colorado Association of Local Governments' annual budget and comparison to actual revenues and expenditures, along with schedules regarding its defined benefit pension plan.

FINANCIAL HIGHLIGHTS

In 2022, the actual revenue for all programs was \$7,255,468. The actual expenses for all programs were \$6,260,713. The excess revenues over expenses totaled \$994,755.

As noted in the audit report, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$2,680,088 by the end of 2022 due primarily to the implementation of GASBS 68 and 75. Net position has increased by \$2,110,843 from the end of 2021 to the end of 2022. \$997,309 of this increase was due to actuarial adjustments made due to GASBS 68 and 75.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of the year, the Association had \$1,357,648 invested in capital assets, ranging from transportation vehicles to large passenger buses and a new building. The following table reports the Association's capital asset activity for the year. Major asset purchases during the year included updating the vehicle fleet and acquiring a new building.

| | <u>Beginning Balances</u> | <u>Additions</u> | <u>Disposals</u> | <u>Ending Balances</u> |
|-------------------------------|-------------------------------|-------------------|------------------|----------------------------|
| Equipment | \$ 4,970,634 | \$ 58,787 | \$ (53,420) | \$ 4,976,001 |
| Buildings | 340,247 | 353,733 | - | 693,980 |
| Less accumulated depreciation | <u>(4,087,186)</u> | <u>(278,567)</u> | <u>53,420</u> | <u>(4,312,333)</u> |
| Net capital assets | <u>\$ 1,223,695</u> | <u>\$ 133,953</u> | <u>\$ -</u> | <u>\$ 1,357,648</u> |

LONG-TERM DEBT

The following is a summary of the changes in long-term debt for the year:

| <u>year</u> | <u>Beginning Balances</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balances</u> | <u>Due within one</u> |
|----------------------|-------------------------------|------------------|-------------------|----------------------------|---------------------------|
| Compensated Absences | <u>\$ 128,177</u> | <u>\$ 4,529</u> | <u>\$ -</u> | <u>\$ 132,706</u> | <u>\$ 132,706</u> |

ECONOMIC FACTORS

At the end of 2022 NECALG was in sound financial condition. The agency continues to manage NECALG in a fiscally conservative manner.

Notes of major 2022 activities and actions:

In 2022 NECALG purchased the vacant lot next to the building in Brush. Remodeling of the Brush building started in August of 2022 and continuing through 2023. When the remodel is completed, we will have transportation and nutrition operating from this location. NECALG is also taking the necessary steps to be able to apply for grants to help pay for the addition. Under the current Executive Director, NECALG is working on having a strong base for the organization to have future growth and have each division working together at the same locations providing services to the counties we serve.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview to customers, taxpayers, citizens, residents, funders and any others interested in the Northeastern Colorado Association of Local Governments' finances. Accountability for the funds received and expended by the Northeastern Colorado Association of Local Governments is taken very seriously. Questions or concerns regarding any of the information provided in this report or requests for additional financial information should be addressed to the Northeastern Colorado Association of Local Governments, 231 Main St., Suite 211, Fort Morgan, CO 80701.

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
BASIC FINANCIAL STATEMENTS
December 31, 2022

The Basic Financial Statements of the Association include the following:

Government-wide financial statements. The government-wide statements display information about the reporting government as a whole, except for its fiduciary activities.

Fund financial statements. The fund financial statements display information about major funds individually and non-major funds in the aggregate for governmental and enterprise funds, as applicable.

Notes to the financial statements. The notes communicate information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements. As such, the notes are an integral part of the basic financial statements.

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
STATEMENT OF NET POSITION
As of December 31, 2022

| | | |
|---|------------------|----------------------------|
| Assets: | | |
| Cash | \$ 3,429,804 | |
| Receivables | 739,898 | |
| Prepaid items | 10,855 | |
| Inventories | 38,172 | |
| Net pension asset | 231,489 | |
| Capital assets, net of accumulated depreciation | <u>1,357,648</u> | |
| Total Assets | | \$ 5,807,866 |
| Deferred Outflows of Resources: | | |
| Pension Plan | 89,783 | |
| Other Post Employment Benefits | <u>3,833</u> | |
| Total Deferred Outflows | | <u>93,616</u> |
| Total Assets and Deferred Outflows | | <u><u>\$ 5,901,482</u></u> |
| Liabilities | | |
| Accounts payable | \$ 327,317 | |
| Accrued salaries and benefits | 119,338 | |
| Unearned grant revenue | 402,349 | |
| Accrued compensated absences | 132,706 | |
| Other post employment benefits liability | <u>172,461</u> | |
| Total Liabilities | | \$ 1,154,171 |
| Deferred Inflows of Resources: | | |
| Pension Plan | 2,006,300 | |
| Other Post Employment Benefits | <u>60,923</u> | |
| Total Deferred Inflows | | 2,067,223 |
| Net Position | | |
| Invested in capital assets | 1,357,648 | |
| Unrestricted | <u>1,322,440</u> | |
| Total Net Position | | <u>2,680,088</u> |
| Total Liabilities and Net Position | | <u><u>\$ 5,901,482</u></u> |

The accompanying notes and independent auditors' report
should be read with these financial statements.

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

| Functions/ Programs | Expenses | Program Revenues | | | Net Governmental Activities |
|-------------------------------|--------------|-------------------------|---------------------------------------|-------------------------------------|-----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental Activities | | | | | |
| General government | \$ 5,144,625 | \$ 1,502,573 | \$ 5,071,324 | \$ - | \$ 1,429,272 |
| Total Governmental Activities | \$ 5,144,625 | \$ 1,502,573 | \$ 5,071,324 | \$ - | 1,429,272 |
| | | | General Revenues | | |
| | | | Investment earnings | | 6,387 |
| | | | Insurance proceeds | | 21,126 |
| | | | Miscellaneous | | 654,058 |
| | | | | | 2,110,843 |
| | | | Change in Net Position | | 2,110,843 |
| | | | Net Position, Beginning of Year | | 569,245 |
| | | | Net Position, End of Year | | \$ 2,680,088 |

The accompanying notes and independent auditors' report
should be read with these financial statements.

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2022

| | Assets | General Fund |
|------------------------------------|--------|---------------------|
| Cash | | \$ 3,429,804 |
| Receivables | | 739,898 |
| Prepaid Items | | 10,855 |
| Inventories | | <u>38,172</u> |
| Total Assets | | <u>\$ 4,218,729</u> |
| Liabilities and Fund Balance | | |
| Liabilities | | |
| Accounts Payable | | \$ 327,317 |
| Accrued Salaries and Benefits | | 119,338 |
| Unearned Grant Revenue | | <u>402,349</u> |
| Total Liabilities | | \$ 849,004 |
| Fund Balance | | |
| Nonspendable Prepaid Items | | 10,855 |
| Nonspendable Inventory | | 38,172 |
| Unassigned | | <u>3,320,698</u> |
| Total Fund Balance | | <u>3,369,725</u> |
| Total Liabilities and Fund Balance | | <u>\$ 4,218,729</u> |

The accompanying notes and independent auditor's report
should be read with these financial statements.

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
December 31, 2022

| | |
|--|----------------------------|
| Total Fund Balance - Balance Sheet - Governmental Funds | \$ 3,369,725 |
| Adjustments needed to reconcile to the statement of net position: | |
| Net capital assets are recorded for financial purposes but are not included as a financial resource for governmental funds. | 1,357,648 |
| Deferred inflows and outflows related to pensions | (1,973,607) |
| Accrued compensated absences | (132,706) |
| Other post employment benefits liability | (172,461) |
| Net pension liability | <u>231,489</u> |
| Total Net Position | <u><u>\$ 2,680,088</u></u> |

The accompanying notes and independent auditor's report
should be read with these financial statements.

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2022

| | GENERAL FUND |
|--------------------------------|--------------|
| Revenues | |
| Intergovernmental | \$ 5,071,324 |
| Charges for services | 1,502,573 |
| Miscellaneous | 681,571 |
| Total Revenue | \$ 7,255,468 |
| Expenditures | |
| Health and welfare | 5,848,194 |
| Capital outlay | 412,519 |
| Total Expenses | 6,260,713 |
| Change in Fund Balance | 994,755 |
| Fund Balance Beginning of Year | 2,374,970 |
| Fund Balance End of Year | \$ 3,369,725 |

The accompanying notes and independent auditor's report
should be read with these financial statements.

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

| | | |
|--|----|-------------------------|
| Net Change in Fund Balance - Governmental Funds | \$ | 994,755 |
| Adjustments needed to reconcile to the Statement of Activities: | | |
| Capital outlays to purchase or build capital assets are reported in the governmental funds as a current expenditure. These same types of capital outlays are capitalized and depreciated over an appropriate useful life expectancy for governmental activities. This is the amount of capital purchases over depreciation expense for the current period. | | 143,862 |
| In the governmental funds the cost of compensated absences is expensed in the period the compensation is paid. However, in the statement of activities the expense for compensated absences is expensed when earned or accrued. The difference between the amount expensed during the period exceeded the amount accrued by. | | (14,438) |
| The General Fund reports District contributions to the employee's post retirement health benefit investment pool as expenditures. However, in the statement of activities, the cost of post retirement health benefits earned, net of contributions, is reported as health benefit expense. | | 68,763 |
| The General Fund reports District pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense. | | <u>917,901</u> |
| Net Change in the Net Position - Governmental Activities | \$ | <u><u>2,110,843</u></u> |

The accompanying notes and independent auditor's report
should be read with these financial statements.

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of the significant accounting policies of the Northeast Colorado Association of Local Governments (the Association) is presented to assist the reader in understanding the accompanying financial statements and supplementary financial data presented in this report. These policies have been applied in a consistent manner in preparation of this report and should be read with the accompanying financial statements.

The financial statements of the Association have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the Association's accounting policies are described below.

A. Reporting Entity

The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity's financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

The Association has examined other entities that could be included as defined in numbers 2 and 3 above. Based on these criteria, the Association has no component units.

B. Fund Accounting

Governmental fund accounting is used to account for all or most of the government's general activities. The Association's only fund is the General Fund, which is used to account for all financial resources since there are no activities required to be separately accounted for.

C. Basis of Presentation

Government-wide financial statements: The statement of net position and the statement of activities display information about the Association as a whole. These statements include the financial activities of the primary government.

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with a brief explanation to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fund Financial Statements: The fund financial statements report detailed information about the Association. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. The Association has only one fund, the General Fund.

The governmental fund types are accounted for by only using current financial resources. Therefore, the balance sheet generally includes current assets and current liabilities and the statement of revenues, expenditures and changes in fund balance reports the current sources and uses of financial resources.

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (continued)

Revenues – exchange and non-exchange transactions: Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Association, available means expected to be received within sixty days of fiscal year-end.

Revenues – exchange and non-exchange transactions (continued): Non exchange transactions, in which the Association receives value without directly giving equal value in return, include county contributions, grants and other miscellaneous sources. Revenues from grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Association must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Association on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Expenses and Expenditures: On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the fund basis of accounting expenditures are generally recognized in the period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

D. Encumbrances

The encumbrance system is not utilized by the Association.

E. Receivables

No allowance for doubtful accounts has been provided in the accompanying financial statements since substantially all accounts are deemed by management to be collectible.

F. Capital Assets

Capital assets are reported in the government-wide statement of net position, but are not reported in the fund financial statements. All capital assets with a unit cost of \$5,000 or greater are capitalized at cost and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not. Infrastructure assets, consisting of certain improvements other than buildings (such as parking facilities, sidewalks, landscaping and lighting systems) will be capitalized on a prospective basis, from 2004. Infrastructure prior to 2004 will not be capitalized.

All reported capital assets are depreciated with the exception of land costs. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

| <u>Description</u> | <u>Useful Lives</u> |
|------------------------------------|---------------------|
| Buildings and certain improvements | 15-50 Years |
| Equipment | 7-10 Years |

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Compensated Absences

The Association reports compensated absences in accordance with the provisions of GASB Statement No.16, "Accounting for Compensated Absences." The policy of the Association is to provide paid time off (PTO) to regular full-time employees in accordance with the employee's length of service with the organization. PTO is for employees to use for vacation, illness, injury and personal business.

PTO hours are earned each pay period in accordance with the schedule below up to an established cap of 360 hours. Once an employee reaches 360 hours, PTO will stop accruing and will not resume until the balance drops back below 360 hours.

| Years of Eligible Service | PTO Hours Earned Monthly | PTO Hours Earned Annually |
|---------------------------|--------------------------|---------------------------|
| 0 to 4.99 years | 12 hours | 144 hours (18 days) |
| 5 to 9.99 years | 14 hours | 168 hours (21 days) |
| 10 to 14.99 years | 16 hours | 192 hours (24 days) |
| 15 plus | 18 hours | 216 hours (27 days) |

PTO that has been earned is compensable upon separation from employment.

G. Accrued Liabilities and Long Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the noncurrent portion of compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources.

H. Net Position

Net position represents the difference between assets and liabilities. Invested in capital assets equals' capital assets net of accumulated depreciation and less outstanding debt, if any. Net position is reported as restricted when there are liabilities imposed on its use, either through the enabling legislation adopted by the Association or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Association does not have any restricted net position at year end.

J. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditures) until then. The District has one item that qualifies for reporting in this category: changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category: changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Directors and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year.

L. Use of Estimates

Preparation of financial statements in accordance with generally accepted accounting principles in the United States allows management to use estimates when necessary to present financial information that otherwise cannot be acquired in any other reasonable way.

M. Pensions:

The Northeast Colorado Association of Local Governments participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing Multi-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Fund Balance:

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This Statement defines the different type of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

Nonspendable, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned),

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the board of directors (the Association's highest level of decision-making authority),

Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned fund balance is the residual classification for the Association's general fund and includes all spendable amounts not contained in the other classifications.

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Fund Balance: (continued)

Committed fund balance is established by a formal passage of a resolution. This is typically done through the adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the board of directors through adoption or amendment of the budget as intended for specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes).

When both restricted and unrestricted resources are available in governmental funds, the Association applies expenditures against restricted fund balance first, and followed by committed fund balance, assigned fund balance and unassigned fund balance.

NOTE 2. CASH AND INVESTMENTS

The Association's bank accounts and certificates of deposit at year-end were entirely covered by federal depository insurance or by collateral held by the Association's custodial banks under provisions of the Colorado Public Deposit Protection Act.

The Colorado Public Deposit Protection Act requires financial institutions to pledge collateral having a market value of at least 102% of the aggregate public deposits not insured by federal depository insurance. Eligible collateral includes municipal bonds, U.S. government securities, mortgages and deeds of trust.

State statutes authorize the Association to invest in obligations of the U.S. Treasury and U.S. agencies, obligations of the state of Colorado or any county, school district, and certain towns and cities therein, notes or bonds secured by insured mortgages or trust deeds, obligations of national mortgage associations, and certain repurchase agreements. At year-end, the Association did not have any investments.

NOTE 3. RISK MANAGEMENT

The Association is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Association carries commercial insurance for all risks of loss, including workers' compensation insurance. The Association contracts with a commercial insurance carrier for business personal property, computer, general liability, employee benefit liability, inland marine and automobile coverage with deductibles up to \$1,000 per claim. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the deductible in any of the past three fiscal years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk..

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

| | <u>Beginning Balances</u> | <u>Additions</u> | <u>Deletions/ Transfers</u> | <u>Ending Balances</u> |
|------------------------------------|-------------------------------|--------------------------|---------------------------------|----------------------------|
| Buildings and certain improvements | \$ 340,247 | \$ 353,733 | - | 693,980 |
| Equipment | <u>4,970,634</u> | <u>58,787</u> | <u>(53,420)</u> | <u>4,976,001</u> |
| Total Capital assets | 5,310,881 | 412,520 | (53,420) | 5,669,981 |
| Less accumulated depreciation | <u>(4,087,186)</u> | <u>(278,567)</u> | <u>53,420</u> | <u>(4,312,333)</u> |
| | \$ | | | |
| Capital Assets, net | <u><u>1,223,695</u></u> | <u><u>\$ 133,953</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 1,357,648</u></u> |

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 5. DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions. Northeast Colorado Association of Local Governments participates in the Local Government Division Trust Fund (LGDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the LGDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. Eligible employees of the Northeast Colorado Association of Local Governments are provided with pensions through the Local Government Division Trust Fund (LGDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2021. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2022

NOTE 5. DEFINED BENEFIT PENSION PLAN (continued)

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR) for the LGDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions provisions as of December 31, 2022: Eligible employees and Northeast Colorado Association of Local Governments are required to contribute to the LGDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Employee contribution rates for the period January 1, 2022 through December 31, 2022 are summarized in the table below:

| | January 1, 2021 Through June 30, 2021 | July 1, 2021 Through December 31, 2021 | January 1, 2022 Through June 30, 2022 | July 1, 2022 Through December 31, 2022 |
|---|---|--|---|--|
| Employee contribution (all employees other than State Troopers) | 8.50% | 8.50% | 8.50% | 9.00% |
| State Troopers | 12.00% | 12.50% | 12.50% | 13.00% |

Contribution rates for the LGDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42)

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2022

NOTE 5. DEFINED BENEFIT PENSION PLAN (continued)

The employer contribution requirements for all employees are summarized in the table below:

| | January 1, 2021 Through June 30, 2021 | July 1, 2021 Through December 31, 2021 | January 1, 2022 Through June 30, 2022 | July 1, 2022 Through December 31, 2022 |
|--|---|--|---|--|
| Employer contribution rate | 10.50% | 10.50% | 10.50% | 11.00% |
| Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) | (1.02)% | (1.02)% | (1.02)% | (1.02)% |
| Amount apportioned to the LGDTF | 9.48% | 9.48% | 9.48% | 9.98% |
| Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 | 2.20% | 2.20% | 2.20% | 2.20% |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 | 1.50% | 1.50% | 1.50% | 1.50% |
| Defined Contribution Supplement as specified in C.R.S. § 24-51-415 | 0.02% | 0.02% | 0.02% | 0.02% |
| Total employer contribution rate to the LGDTF | 13.20% | 13.20% | 13.21% | 13.71% |

Contribution Rates for the LGDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the LGDTF in the period in which the compensation becomes payable to the member and the Northeast Colorado Association of Local Governments is statutorily committed to pay the contributions to the LGDTF. Employer contributions recognized by the LGDTF from the Northeast Colorado Association of Local Governments were \$267,218 for the year ended December 31, 2022.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2022, the Northeast Colorado Association of Local Governments reported an asset of \$231,489 for its proportionate share of the net pension asset. The net pension asset for the LGDTF was measured as of December 31, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll forward the total pension liability to December 31, 2021. The Northeast Colorado Association of Local Governments proportion of the net pension asset was based on Northeast Colorado Association of Local Governments contributions to the LGDTF for the calendar year 2021 relative to the total contributions of participating employers to the LGDTF.

At December 31, 2021, the Northeast Colorado Association of Local Governments proportion was 0.27 percent, which was a decrease of .04 percent from its proportion measured as of December 31, 2020.

For the year ended December 31, 2022, the Northeast Colorado Association of Local Governments recognized pension expense of (575,100). At December 31, 2022 the Northeast Colorado Association of Local Governments reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 5. DEFINED BENEFIT PENSION PLAN (continued)

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Difference between expected and actual Experience | \$ | \$ 2,006,300 |
| Net difference between projected and actual Earnings on pension plan investments | 89,783 | |
| Contributions subsequent to the measurement Date | 267,718 | |
| Totals | \$ 357,501 | \$ 2,006,300 |

\$267,718 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending December 31 | <u>Amount</u> |
|-------------------------|---------------|
| 2022 | \$ 383,305 |
| 2023 | 383,305 |
| 2024 | 383,304 |
| 2025 | 383,304 |
| 2026 | 383,304 |
| | \$ 1,918,517 |

Actuarial assumptions. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs:

| | |
|---|---|
| Actuarial cost method | Entry age |
| Price inflation | 2.30 percent |
| Real wage growth | 0.70 percent |
| Wage inflation | 3.00 percent |
| Salary increases, including wage inflation | 3.20 – 11.30 percent |
| Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation | 7.25 percent |
| Discount rate | 7.25 percent |
| Post-retirement benefit increases: | |
| PERA Benefit Structure hired prior to 1/1/07; (automatic) | 1.00 percent compounded annually |
| PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic) | Financed by the Annual Increase Reserve |

¹ Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 5. DEFINED BENEFIT PENSION PLAN (continued)

The TPL as of December 31, 2021, includes the anticipated adjustments to contribution rates and the AI cap, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.

The mortality tables described below are generational mortality tables developed on a benefit-weighted basis.

Pre-retirement mortality assumptions for members other than State Troopers were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for members other than State Troopers were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 94% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Disabled mortality assumptions for members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

The actuarial assumptions used in the December 31, 2020, valuations were based on the results of the 2020 experience analysis for the periods January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board during the November 20, 2020, meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation, and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2022

NOTE 5. DEFINED BENEFIT PENSION PLAN (continued)

| Asset Class | Target Allocation | 30 Year Expected Geometric Real Rate of Return |
|----------------|-------------------|--|
| Global Equity | 54.00% | 5.60% |
| Fixed Income | 23.00% | 1.30% |
| Private Equity | 8.50% | 7.10% |
| Real Estate | 8.50% | 4.40% |
| Alternatives | 6.00% | 4.70% |
| Total | 100.00% | |

Note: In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected nominal rate of return assumption of 7.25%.

Discount rate. The discount rate used to measure the TPL was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2022

NOTE 5. DEFINED BENEFIT PENSION PLAN (continued)

- The projected benefit payments reflect the lowered AI cap, from 1.25% to 1.00%, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, LGDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Northeast Colorado Association of Local Governments proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|--|------------------------|----------------------------------|------------------------|
| Proportionate share of the net pension liability | \$ 1,587,230 | \$ (231,490) | \$ (1,752,770) |

Pension plan fiduciary net position. Detailed information about the LGDTF’s fiduciary net position is available in PERA’s comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports .

NOTE 6. DEFINED CONTRIBUTION PENSION PLANS

Voluntary Investment Program

Plan Description - Employees of the Northeast Colorado Association of Local Governments that are also members of the LGDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Program. That report can be obtained at www.copera.org/investments/pera-financial-reports .

Funding Policy - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings.

Defined Contribution Retirement Plan (DC Plan)

Plan Description – Employees of the LGDTF that were hired on or after January 1, 2019 which were eligible to participate in the LGDTF, a cost-sharing multiple-employer defined benefit pension plan, have the option to participate in the LGDTF or the Defined Contribution Retirement Plan (PERA DC Plan). The PERA DC Plan is an Internal Revenue Code Section 401(a) governmental profit-sharing defined contribution plan. Title 24, Article 51, Part 15 of the C.R.S., as amended, assigns the authority to establish Plan provisions to the PERA Board of Trustees. The DC Plan is also included in PERA’s CAFR as referred to above.

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2022

NOTE 6. DEFINED CONTRIBUTION PENSION PLANS (continued)

Funding Policy – All participating employees in the PERA DC Plan and the Northeast Colorado Association of Local Governments are required to contribute a percentage of the participating employees' PERA-includable salary to the PERA DC Plan. The employee and employer contribution rates for the period January 1, 2022 through December 31, 2022 are summarized in the tables below:

| | January 1, 2021 Through June 30, 2021 | July 1, 2021 Through December 31, 2021 | January 1, 2022 Through June 30, 2022 | July 1, 2022 Through December 31, 2022 |
|--|---|--|---|--|
| Employee Contribution Rates: | | | | |
| All employees other than State Troopers | 8.50% | 8.50% | 8.50% | 9.00% |
| State Troopers | 12.00% | 12.50% | 12.50% | 13.00% |
| Employer Contribution Rates: | | | | |
| On behalf of all employees other than State Troopers | 10.00% | 10.00% | 10.00% | 10.00% |
| State Troopers | 12.85% | 12.85% | 12.85% | 12.85% |

**Contribution rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Additionally, the employers are required to contribute AED, SAED, and other statutory amounts for employees other than State Troopers to the LGDTF, as follows:

| | January 1, 2021 Through June 30, 2021 | July 1, 2021 Through December 31, 2021 | January 1, 2022 Through June 30, 2022 | July 1, 2022 Through December 31, 2022 |
|---|---|--|---|--|
| Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 | 2.20% | 2.20% | 2.20% | 2.20% |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 | 1.50% | 1.50% | 1.50% | 1.50% |
| Automatic Adjustment Provision (AAP) as specified in C.R.S. § 24-51-413 | 0.50% | 0.50% | 0.50% | 1.00% |
| Defined Contribution Supplement as specified in C.R.S. § 24-51-415 | 0.02% | 0.02% | 0.03% | 0.03% |
| Total employer contribution rate to the LGDTF | 4.22% | 4.22% | 4.23% | 4.73% |

**Contribution rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 6. DEFINED CONTRIBUTION PENSION PLANS (continued)

Contribution requirements are established under Title 24, Article 51, Section 1505 of the C.R.S., as amended. Participating employees of the PERA DC Plan are immediately vested in their own contributions and investment earnings and are immediately 50 percent vested in the amount of employer contributions made on their behalf. For each full year of participation, vesting of employer contributions increases by 10 percent. Forfeitures are used to pay expenses of the PERA DC Plan in accordance with PERA Rule 16.80 as adopted by the PERA Board of Trustees in accordance with Title 24, Article 51, Section 204 of the C.R.S. As a result, forfeitures do not reduce pension expense. The Northeast Colorado Association of Local Governments did not have any employees participating in the PERA DC Plan for 2021.

NOTE 7. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Summary of Significant Accounting Policies

OPEB. Northeast Colorado Association of Local Governments participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the OPEB Plan

Plan description. Eligible employees of the Northeast Colorado Association of Local Governments are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 7. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (continued)

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

DPS Benefit Structure

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

Contributions. Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Northeast Colorado Association of Local Governments is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Northeast Colorado Association of Local Governments were \$20,649 for the year ended December 31, 2022.

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 7. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2022, the Northeast Colorado Association of Local Governments reported a liability of \$189,707 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2021. The Northeast Colorado Association of Local Governments proportion of the net OPEB liability was based on Northeast Colorado Association of Local Government’s contributions to the HCTF for the calendar year 2021 relative to the total contributions of participating employers to the HCTF.

At December 31, 2021 the Northeast Colorado Association of Local Governments proportion was 0.021 percent, which was a decrease of .003 percent from its proportion measured as of December 31, 2020.

For the year ended December 31, 2022, the Northeast Colorado Association of Local Governments recognized OPEB expense of \$(175). At December 31, 2022, the Northeast Colorado Association of Local Governments reported deferred outflows of resources and deferred inflows of resources to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---------------------------------------|--------------------------------------|
| Difference between expected and actual experience | \$3,833 | |
| Changes of assumptions or other inputs | - | - |
| Net difference between projected and actual earnings on OPEB plan investments | | \$ 60,923 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | - | - |
| Contributions subsequent to the measurement date | \$20,649 | |
| Total | \$24,482 | \$ 60,923 |

\$20,649 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended December, 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ended December 31, 2022 | |
|-------------------------------------|-----------|
| 2023 | \$ 11,418 |
| 2024 | 11,418 |
| 2025 | 11,418 |
| 2026 | 11,418 |
| 2027 | 11,418 |

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2022

NOTE 7. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (continued)

Actuarial assumptions. The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

| | State Division | School Division | Local Government Division | Judicial Division |
|--|------------------|-----------------|---|----------------------|
| Actuarial cost method | | | Entry age | |
| Price inflation | | | 2.30% | |
| Real wage growth | | | 0.70% | |
| Wage inflation | | | 3.00% | |
| Salary increases, including wage inflation | | | | |
| Members other than State Troopers | 3.30%- 10.90% | 3.40%-11.00% | 3.20%- 11.30% | 2.80%-5.30% |
| State Troopers | 3.20%- 12.40% | N/A | 3.20%- 12.40% | N/A |
| Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation | | | 7.25% | |
| Discount rate | | | 7.25% | |
| Health care cost trend rates | | | | |
| PERA benefit structure: | | | | |
| Service-based premium subsidy | | | 0.00% | |
| PERACare Medicare plans | | | 4.50% in 2021, 6.00% in 2022 gradually decreasing to 4.50% in 2029 | |
| Medicare Part A premiums | | | 3.75% in 2021, gradually increasing to 4.50% in 2029 | |
| DPS benefit structure: | | | | |
| Service-based premium subsidy | | | 0.00% | |
| PERACare Medicare plans | | | N/A | |
| Medicare Part A premiums | | | N/A | |

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2020, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2021 for the PERA Benefit Structure:

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2022

NOTE 7. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (continued)

| Medicare Plan | Initial Costs for Members without Medicare Part A | | |
|---|--|--------------------|---------------------------------------|
| | Monthl y Cost | Monthly Premium | Monthly Cost Adjusted to Age 65 |
| Medicare Advantage/Self-Insured Rx | \$633 | \$230 | \$591 |
| Kaiser Permanente Medicare Advantage HMO | 596 | 199 | 562 |

The 2021 Medicare Part A premium is \$471 (actual dollars) per month.

All costs are subject to the health care cost trend rates, as discussed below.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2020, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates used to measure the TOL are summarized in the table below:

| Year | PERACare Medicare Plans | Medicare Part A Premiums |
|-------|----------------------------|-----------------------------|
| 2021 | 4.50% | 3.75% |
| 2022 | 6.00% | 3.75% |
| 2023 | 5.80% | 4.00% |
| 2024 | 5.60% | 4.00% |
| 2025 | 5.40% | 4.00% |
| 2026 | 5.10% | 4.25% |
| 2027 | 4.90% | 4.25% |
| 2028 | 4.70% | 4.25% |
| 2029+ | 4.50% | 4.50% |

Mortality assumptions used in the December 31, 2020, valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the TOL for the HCTF, but developed using a headcount-weighted basis. Affiliated employers of the State, School, Local Government and Judicial Divisions participate in the HCTF.

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2022

NOTE 7. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (continued)

Pre-retirement mortality assumptions for the State and Local Government Divisions (members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

The pre-retirement mortality assumptions for the School Division were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for the Judicial Division were based upon the PubG-2010(A) Above-Median Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions (members other than State Troopers) were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 94% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the School Division were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 112% of the rates prior to age 80 and 94% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 83% of the rates prior to age 80 and 106% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the Judicial Division were based upon the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019.

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE 7. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (continued)

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97% of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105% of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2021 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by PERA Board's actuary, as discussed above.

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2020.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
 NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2022

NOTE 7. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (continued)

As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

| Asset Class | Target Allocation | 30 Year Expected Geometric Real Rate of Return |
|----------------|-------------------|--|
| Global Equity | 54.00% | 5.60% |
| Fixed Income | 23.00% | 1.30% |
| Private Equity | 8.50% | 7.10% |
| Real Estate | 8.50% | 4.40% |
| Alternatives | 6.00% | 4.70% |
| Total | 100.00% | |

Note: In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Sensitivity of the Northeast Colorado Association of Local Governments proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

| | 1% Decrease in Trend Rates | Current Trend Rates | 1% Increase in Trend Rates |
|---------------------------------------|----------------------------|---------------------|----------------------------|
| Initial PERACare Medicare trend rate | 3.50% | 4.50% | 5.50% |
| Ultimate PERACare Medicare trend rate | 3.50% | 4.50% | 5.50% |
| Initial Medicare Part A trend rate | 2.75% | 3.75% | 4.75% |
| Ultimate Medicare Part A trend rate | 3.50% | 4.50% | 5.50% |
| Net OPEB Liability | 220,325 | 189,707 | 163,554 |

Discount rate. The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2021, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2022

NOTE 7. DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (continued)

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

Sensitivity of the Northeast Colorado Association of Local Governments proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|------------------------|-------------------------------------|------------------------|
| Proportionate share of the net OPEB liability | \$178,198 | \$172,461 | \$167,508 |

OPEB plan fiduciary net position. Detailed information about the HCTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 8. COMMITMENTS AND CONTINGENCIES

A. Federal and State Funding

The Association receives revenues from various federal and state grant programs which are subject to final review and approval by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Association expects such amounts, if any, to be immaterial.

B. TABOR Amendment

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer's Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The Association may be subject to the TABOR Amendment. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation local growth. The Association feels it is exempt from the provisions of the Amendment because it receives no direct taxes and does not have the power to impose a tax levy.

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2022

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Schedule of Employer Pension Contributions
- Schedule of the Health Association's Proportionate Share of Net Pension Liability
- Schedule of Employer OPEB Contributions
- Schedule of the Health Association's Proportionate Share of Net OPEB Liability
- Budgetary Comparison Schedule – General Fund
- Budgetary Comparison Schedule – Revenues
- Budgetary Comparison Schedule - Expenditures

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
For the Year Ended December 31, 2022

| Year Ended December 31, | Statutorily Required Contributions | Contributions Made | Covered Payroll | % of Covered Payroll |
|----------------------------|--|-----------------------|--------------------|----------------------------|
| 2013 | \$ 275,168 | \$ 275,168 | \$ 2,170,095 | 12.68% |
| 2014 | 258,002 | 258,002 | 2,034,709 | 12.68% |
| 2015 | 279,757 | 279,757 | 2,206,282 | 12.68% |
| 2016 | 290,703 | 290,703 | 2,292,606 | 12.68% |
| 2017 | 265,613 | 265,613 | 2,094,739 | 12.68% |
| 2018 | 240,953 | 240,953 | 1,900,260 | 12.68% |
| 2019 | 263,716 | 263,716 | 2,079,771 | 12.68% |
| 2020 | 285,116 | 285,116 | 2,210,399 | 12.68% |
| 2021 | 267,218 | 267,218 | 1,692,399 | 12.90% |
| 2022 | 267,218 | 267,218 | 2,024,371 | 13.20% |

Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
SCHEDULE OF THE ASSOCIATION'S PROPORTIONATE
SHARE OF NET PENSION LIABILITY
For the Year Ended December 31, 2022

| Year Ended December 31, | Cumulative Proportion of Net Pension Liability | Cumulative Proportionate Share | Covered Payroll | % of Covered Payroll | Plan Net Position as a % of Net Pension Liability |
|----------------------------|---|--------------------------------------|--------------------|----------------------------|--|
| 2014 | 0.4068% | \$ 3,347,306 | \$ 2,170,095 | 154.25% | 77.66% |
| 2015 | 0.3713% | 3,328,248 | 2,034,709 | 163.57% | 80.70% |
| 2016 | 0.3885% | 4,279,458 | 2,206,282 | 193.97% | 76.90% |
| 2017 | 0.3782% | 5,107,531 | 2,292,606 | 222.78% | 73.60% |
| 2018 | 0.3321% | 3,697,186 | 2,094,739 | 176.50% | 79.37% |
| 2019 | 0.2897% | 3,642,405 | 1,900,260 | 191.68% | 75.96% |
| 2020 | 0.3020% | 2,208,861 | 2,079,771 | 106.21% | 86.26% |
| 2021 | 0.3123% | 1,627,719 | 2,210,399 | 73.64% | 90.88% |
| 2022 | 0.0000% | (231,490) | 2,024,371 | -11.44% | -82.79% |

Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS
For the Year Ended December 31, 2022

| Year Ended December 31, | Statutorily Required Contributions | Contributions Made | Covered Payroll | % of Covered Payroll |
|----------------------------|--|-----------------------|--------------------|----------------------------|
| 2016 | \$ 23,384 | \$ 23,384 | \$ 2,292,606 | 1.02% |
| 2017 | 21,366 | 21,366 | 2,094,739 | 1.02% |
| 2018 | 19,383 | 19,383 | 1,900,260 | 1.02% |
| 2019 | 21,214 | 21,214 | 2,079,771 | 1.02% |
| 2020 | 22,546 | 22,546 | 2,210,399 | 1.02% |
| 2021 | 20,649 | 20,649 | 2,024,371 | 1.02% |
| 2022 | 20,649 | 20,649 | 2,024,371 | 1.02% |

Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
SCHEDULE OF THE ASSOCIATION'S PROPORTIONATE
SHARE OF OPEB LIABILITY
For the Year Ended December 31, 2022

| Year Ended December 31, | Cumulative Proportion of Net OPEB Liability | Cumulative Proportionate Share | Covered Payroll | % of Covered Payroll | Plan Net Position as a % of Net OPEB Liability |
|----------------------------|--|--------------------------------------|--------------------|----------------------------|---|
| 2017 | 0.0290% | \$ 376,446 | \$ 2,292,606 | 16.42% | 16.72% |
| 2018 | 0.0258% | 335,325 | 2,094,739 | 16.01% | 17.53% |
| 2019 | 0.0225% | 305,685 | 1,900,260 | 16.09% | 17.03% |
| 2020 | 0.0231% | 259,983 | 2,079,771 | 12.50% | 24.49% |
| 2021 | 0.0239% | 227,130 | 2,210,399 | 10.28% | 32.78% |
| 2022 | 0.0211% | 172,461 | 2,024,371 | 8.52% | 33.11% |

Until a full 10-year trend is compiled, the District will present information for those years for which information is available.

NORTHEAST COLORADO ACCOCIATION OF LOCAL GOVERNMENTS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2022

| | <u>Budgeted Amounts</u> | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|-------------------------------------|-------------------------|------------------|----------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental | \$ 4,883,448 | \$ 4,883,448 | \$ 5,071,324 | \$ 187,876 |
| Charges for services | 1,033,495 | 1,033,495 | 1,502,573 | 469,078 |
| Miscellaneous | 1,601,489 | 1,601,489 | 681,571 | (919,918) |
| Total Revenues | <u>7,518,432</u> | <u>7,518,432</u> | 7,255,468 | (262,964) |
| Expenditures | | | | |
| Health and welfare | 6,728,958 | 6,728,958 | 5,848,194 | 880,764 |
| Capital outlay | 789,474 | 789,474 | 412,519 | 376,955 |
| Total Expenditures | <u>7,518,432</u> | <u>7,518,432</u> | 6,260,713 | 1,257,719 |
| Excess Revenues over Expenditures | - | - | 994,755 | 994,755 |
| Adjustments to GAAP Basis | | | | |
| Deduct in-kind revenues | | | (219,872) | |
| Add in-kind expenditures | | | <u>219,872</u> | |
| Change in Fund Balance - GAAP Basis | | | 994,755 | |
| Fund Balance Beginning of Year | | | <u>2,374,970</u> | |
| Fund Balance End of Year | | | <u><u>\$ 3,369,725</u></u> | |

NORTHEAST COLORADO ACCOCIATION OF LOCAL GOVERNMENTS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - REVENUES
For the Year Ended December 31, 2022

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|----------------------------|------------------|--------------|--------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Intergovernmental | | | | |
| Federal Grants | \$ 3,523,677 | \$ 3,523,677 | \$ 2,765,375 | \$ (758,302) |
| State Grants | 1,359,771 | 1,359,771 | 1,383,726 | 23,955 |
| Local Grants | | | | - |
| Total Intergovernmental | 4,883,448 | 4,883,448 | 4,149,101 | (734,347) |
| Charges for services | | | | |
| Transportation | 229,675 | 229,675 | 293,898 | 64,223 |
| Bus fares | 68,900 | 68,900 | 75,158 | 6,258 |
| Bus tickets | 64,920 | 64,920 | 60,577 | (4,343) |
| Medicaid | 670,000 | 670,000 | 1,072,941 | 402,941 |
| Total Charges for Services | 1,033,495 | 1,033,495 | 1,502,574 | 469,079 |
| Miscellaneous | | | | |
| County contributions | 260,200 | 260,200 | 175,000 | (85,200) |
| City contributions | 27,565 | 27,565 | 24,565 | (3,000) |
| Donations | 280,500 | 280,500 | 470,512 | 190,012 |
| Earnings on investments | 300 | 300 | 6,387 | 6,087 |
| In-kind revenues | 85,000 | 85,000 | 219,872 | 134,872 |
| Indirect costs | 548,881 | 548,881 | 624,563 | 75,682 |
| Miscellaneous | 399,043 | 399,043 | 82,894 | (316,149) |
| Total Miscellaneous | 1,601,489 | 1,601,489 | 1,603,793 | 2,304 |
| Total Revenues | \$ 7,518,432 | \$ 7,518,432 | \$ 7,255,468 | \$ (262,964) |

NORTHEAST COLORADO ACCOCIATION OF LOCAL GOVERNMENTS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES
For the Year Ended December 31, 2022

| Expenditures | Budgeted Amounts | | Actual | Variance with |
|-----------------------------|------------------|--------------|--------------|--|
| | Original | Final | | Final Budget Favorable (Unfavorable) |
| Health and Welfare | | | | |
| Salaries | \$ 2,838,297 | \$ 2,838,297 | \$ 2,247,583 | \$ 590,714 |
| PTO final | 22,500 | 22,500 | 44,108 | (21,608) |
| Employee related | 737,690 | 737,690 | 668,839 | 68,851 |
| Mileage and per diem | 38,013 | 38,013 | 10,305 | 27,708 |
| Personnel recruitment | 6,660 | 6,660 | 1,667 | 4,993 |
| Staff development | 21,100 | 21,100 | 7,319 | 13,781 |
| Drug testing and background | 12,050 | 12,050 | 11,657 | 393 |
| DOT expense | 5,164 | 5,164 | 5,247 | (83) |
| Fuel | 176,744 | 176,744 | 178,313 | (1,569) |
| Vehicle maintenance | 113,195 | 113,195 | 146,844 | (33,649) |
| Food | 44,800 | 44,800 | 94,956 | (50,156) |
| Imported food | 16,625 | 16,625 | 31,821 | (15,196) |
| USDA food | 168,411 | 168,411 | 43,765 | 124,646 |
| Shelf meals | 2,000 | 2,000 | 776 | 1,224 |
| Frozen meals | 16,000 | 16,000 | 13,349 | 2,651 |
| Staff meals | | | | - |
| Advertising | 15,750 | 15,750 | 6,446 | 9,304 |
| Marketing | 15,500 | 15,500 | 14,615 | 885 |
| Insurance | 106,776 | 106,776 | 126,632 | (19,856) |
| Insurance claim repairs | 4,000 | 4,000 | | 4,000 |
| Software maintenance | 46,970 | 46,970 | 51,614 | (4,644) |
| Small tools and equipment | 67,001 | 67,001 | 99,565 | (32,564) |
| Meetings | 6,850 | 6,850 | 5,515 | 1,335 |
| Travel | 14,669 | 14,669 | 5,361 | 9,308 |
| Copies | 8,775 | 8,775 | 6,750 | 2,025 |
| Postage | 10,105 | 10,105 | 9,466 | 639 |
| Office supplies | 95,951 | 95,951 | 36,114 | 59,837 |
| Field supplies | 59,418 | 59,418 | 50,272 | 9,146 |
| Dues and subscriptions | 11,600 | 11,600 | 10,036 | 1,564 |
| Rent | 106,674 | 106,674 | 91,537 | 15,137 |
| Utilities | 20,680 | 20,680 | 40,931 | (20,251) |
| Building maintenance | 327,500 | 327,500 | 18,095 | 309,405 |
| Communications | 66,686 | 66,686 | 77,751 | (11,065) |
| Properties taxes | 1,200 | 1,200 | (395) | 1,595 |
| Tickets and staff meals | 31,694 | 31,694 | 24,349 | 7,345 |
| Incentives | 151,487 | 151,487 | 288,305 | (136,818) |
| Program expense | 62,709 | 62,709 | 2,062 | 60,647 |
| Audit fees | 15,150 | 15,150 | 12,881 | 2,269 |
| Accounting fees | 84,500 | 84,500 | 87,113 | (2,613) |
| Legal fees | 22,000 | 22,000 | 9,927 | 12,073 |
| Contract services | 54,902 | 54,902 | 73,594 | (18,692) |
| Chore | 20,000 | 20,000 | 12,434 | 7,566 |
| Homemaker | 20,000 | 20,000 | 11,830 | 8,170 |
| Material aid | 22,616 | 22,616 | 18,056 | 4,560 |
| Respite caregiver | 10,000 | 10,000 | 4,270 | 5,730 |
| Housing assistance | 40,000 | 40,000 | 89,330 | (49,330) |
| Nutrition assistance | 55,000 | 55,000 | 30,453 | 24,547 |
| Cash assistance | 98,908 | 98,908 | 39,585 | 59,323 |
| Dental care | 182,442 | 182,442 | 125,501 | 56,941 |
| Eye care | 13,000 | 13,000 | 12,282 | 718 |
| Bank and finance charges | 1,845 | 1,845 | 742 | 1,103 |
| Administration fees | 3,470 | 3,470 | 110,776 | (107,306) |
| In-kind support | 85,000 | 85,000 | 219,872 | (134,872) |
| Indirect | 548,881 | 548,881 | 517,978 | 30,903 |
| Total Health and Welfare | 6,728,958 | 6,728,958 | 5,848,194 | 880,764 |
| Capital Outlay | 789,474 | 789,474 | 412,519 | 376,955 |
| Total Expenditures | \$ 7,518,432 | \$ 7,518,432 | \$ 6,260,713 | \$ 1,257,719 |

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2022

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

An annual budget is established for the Association as required by Colorado Local Government Budget Laws and is adopted on a basis consistent with accounting principles generally accepted in the United States except for short-term borrowings and repayments and in-kind sources, which are included as revenues and expenditures in the budgetary comparison schedules but do not appear in the government-wide or fund financial statements.

Expenditures may not legally exceed appropriations. Budget amounts included in the financial statements are based on the original and final amended budgets. After budget approval, the Board of Directors may approve supplemental appropriations if an occurrence, condition or need exists which was not known at the time the budget was adopted.

- On or before October 15th, the Executive Director submits a proposed budget for the following year to the Board of Directors.
- A proposed budget is made available for public inspection, and public hearings are conducted to obtain taxpayer comments.
- On or before December 31st, the Association must adopt and appropriate the budget by resolution or ordinance.

NOTE 2. FACTORS AFFECTING TRENDS IN AMOUNTS REPORTED IN THE PENSION AND OPEB SCHEDULES

Information about factors that significantly affect trends in the amounts reported in the Schedules of the Association's Proportionate Share of the Net Pension and OPEB Liabilities and the Schedules of Association Contributions is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
SINGLE AUDIT SECTION
December 31, 2022

In December 2014, the Office of management and Budget issued Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). This Uniform Guidance was effective for fiscal years beginning after December 24, 2015. The following schedule and reports are included in the Association's financial statements in accordance with the requirements of the Uniform Guidance.

- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- 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
- Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance
- Schedule of Findings and Questioned Costs

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2022

| Federal Grantor / Pass-through Grantor/ Program or Cluster Title | Federal CFDA Number | Federal Expenditures |
|--|---------------------------|-------------------------|
| <u>U.S. Department of Transportation:</u> | | |
| Pass-through programs from: | | |
| Colorado Department of Transportation | | |
| Formula Grants for Rural Areas and Tribal Transit Program | 20.509 | \$ 1,477,224 |
| Total U.S. Department of Transportation | | 1,477,224 |
| <u>U.S. Department of Health and Human Services:</u> | | |
| Pass-through programs from: | | |
| Colorado Department of Human Services | | |
| Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation | 93.041 | 624 |
| Long-Term Care Ombudsman | 93.042 | 9,635 |
| Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services | 93.043 | 46,708 |
| Aging Cluster | | |
| Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers | 93.044 | 227,487 |
| Special Programs for the Aging - Title III, Part C - Nutrition Services | 93.045 | 401,238 |
| National Family Caregiver Support Program, Title III, Part E | 93.052 | 89,157 |
| Nutrition Services Incentive Program | 93.053 | 49,263 |
| Community Services Block Grant | 93.569 | 349,984 |
| Medicaid Cluster | | |
| Medical Assistance Program | 93.778 | 516,404 |
| Total U.S. Department of Health and Human Services | | 1,690,500 |
| Total Expenditures of Federal Awards | | <u>\$ 3,167,724</u> |

Note A – Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Northeast Colorado Association of Local Governments and is presented on the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Grant and entitlement revenues are recognized to the extent of related expenditures or when compliance with matching requirements are met. A deferred revenue account is established when receipts exceed the related expenditures. The information in this schedule is presented in accordance with the requirements of OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B – Summary of significant accounting policies:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statement(s) of the federal program. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C - Indirect cost rate:

Northeastern Colorado Association of Local Governments has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note D – Subrecipients:

Northeastern Colorado Association of Local Governments did not pass through any federal grants to subrecipients.



LIITTJOHANN, KAUFFMAN, and PEDERSON
Certified Public Accountants

David A. Kauffman, C.P.A., P.C.

Daniel M. Pederson, C.P.A.'s, P.C.

**INDEPENDENT AUDITOR'S 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**

To the Board of Directors
Northeast Colorado Association of Local Governments
Fort Morgan, 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Northeast Colorado Association of Local Governments, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Northeast Colorado Association of Local Government's basic financial statements, and have issued our report thereon dated July 17, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Northeast Colorado Association of Local 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 Northeast Colorado Association of Local Government's internal control. Accordingly, we do not express an opinion on the effectiveness of the Northeast Colorado Association of Local 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 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Northeast Colorado Association of Local 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.

A handwritten signature in black ink, appearing to read "L. M. ...", written over a horizontal line.

Fort Morgan, Colorado
July 17, 2023



LIITTJOHANN, KAUFFMAN, and PEDERSON

Certified Public Accountants

David A. Kauffman, C.P.A., P.C.

Daniel M. Pederson, C.P.A.'s, P.C.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Northeast Colorado Association of Local Governments
Fort Morgan, Colorado

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Northeast Colorado Health Department'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 Northeast Colorado Health Department's major federal programs for the year ended December 31, 2022. Northeast Colorado Health Department'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 Northeast Colorado Health Department complied, in all material respects, with the types of 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 Northeast Colorado Health Department and to meet our 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Northeast Colorado Health Department's compliance with the 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 with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Northeast Colorado Health Department'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 Northeast Colorado Health Department'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 material noncompliance when it exists. The risk of not detecting 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 the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Northeast Colorado Health Department'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 judgment 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 Northeast Colorado Health Department'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 Northeast Colorado Health Department'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 Northeast Colorado Health Department'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 during 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Fort Morgan, Colorado
May 18, 2023

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2022

Summary of audit results

1. The auditors' report expresses an unqualified opinion on the basic financial statements of the Northeast Colorado Association of Local Governments.
2. No reportable conditions were disclosed during the audit of the basic financial statements as reported in the Independent Auditor's 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*.
3. No instances of noncompliance material to the basic financial statements of the Association were disclosed during the audit.
4. No reportable conditions relating to the audit the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for the Northeast Colorado Association of Local Governments expresses an unqualified opinion on all major federal programs.
6. The audit did not disclose any findings relative to the major federal award programs of the Association.
7. The program tested as major was:

| | |
|--|-----------------|
| Formula Grants for Rural Areas and Tribal Transit Program | CFDA No. 20.509 |
|--|-----------------|
8. The threshold for distinguishing Type A and B Programs was \$750,000.
9. The Association qualified as a low-risk auditee.

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2022

Findings- financial statement audit

We noted no reportable conditions during our audit that need to be reported per auditing standards generally accepted in the United States.

Findings and questioned costs – major federal award programs audit

We noted no findings or questioned costs that are required to be reported in accordance with OMB Uniform Guidance.

NORTHEAST COLORADO ASSOCIATION OF LOCAL GOVERNMENTS
SCHEDULE OF PREVIOUS FINDINGS AND QUESTIONED COSTS

December 31, 2022

Findings- financial statement audit

There were no prior reportable conditions related to the audit of the financial statements in accordance with Auditing Standards Generally Accepted in the United States.

Findings and questioned costs – major federal award programs audit

There were no prior audit findings or questioned costs in relation to an audit in accordance with OMB Uniform Guidance.