

PIKES PEAK AREA
COUNCIL OF GOVERNMENTS

FINANCIAL STATEMENTS

December 31, 2016



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Logan and Associates, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors
Pikes Peak Area Council of Governments
Colorado Springs, Colorado

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Pikes Peak Area Council of Governments (the "PPACG") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the PPACG's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Pikes Peak Area Council of Governments as of December 31, 2016, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and budgetary comparison schedule on pages i – iv and 13 – 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our reported dated May 1, 2017, on our consideration of the Pikes Peak Area Council of Governments' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pikes Peak Area Council of Governments' internal control over financial reporting and compliance.

Logan and Associates, LLC

Aurora, Colorado
May 1, 2017

Pikes Peak Area Council of Governments

Management's Discussion and Analysis Year Ended December 31, 2016

Introduction

This management's discussion and analysis of the financial performance of the Pikes Peak Area Council of Governments (PPACG) provides an overview of PPACG's financial activities for the year ended December 31, 2016. It should be read in conjunction with the accompanying financial statements of PPACG.

Financial Highlights

- Total assets decreased in 2016, compared to 2015, by \$135,356, or 4.6%.
- PPACG's Net position increased in 2016 by \$104,854, or 5.4% compared to 2015.
- Unassigned Fund Balance increased by \$132,492 or 8.9% to \$1,628,310.
- ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the PPACG's basic financial statements. PPACG's basic financial statements included in this annual report are those of a general-purpose government and include the following financial statements:

Government-wide Financial Statements

- The *Statement of Net Position* and the *Statement of Activities* report information on all of the activities of PPACG and the effect of changes to them. PPACG's total net position—the difference between assets and liabilities—is one measure of PPACG's financial health or financial position. Over time, increases or decreases in PPACG's net position are an indicator of whether its financial health is improving or deteriorating.

Fund Financial Statements

- The *Balance Sheet – Governmental Fund* and its accompanying *Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position* compare fund assets to fund liabilities with the difference between them being the fund balance and explains the disparity in the amounts reported for governmental activities.
- The *Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund* and its accompanying *Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities* report PPACG's revenues, by major source, along with expenditures and changes to the fund balance and explains the disparity in the amounts reported for governmental activities.
- The *Statement of Revenues and Expenditures – Budget to Actual – General Fund* compares actual funds received and spent with the budgeted amounts and details the variances.
- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

- The *Schedule of Expenditures of Federal Awards* is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards.

PPACG's Statement of Net Position

PPACG's net position is the difference between its assets and liabilities reported in the Statement of Net Position. PPACG's net position increased by \$104,854 (5.4%) in 2016 over 2015, as shown in Table 1.

Table 1: Summary Statement of Net Position as of December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Cash/restricted cash	\$ 624,668	\$1,387,758
Other current assets	1,591,716	947,725
Capital assets, Net	<u>564,004</u>	<u>580,261</u>
Total assets	<u>\$2,780,388</u>	<u>\$2,915,744</u>
Liabilities		
Other current and noncurrent liabilities	\$ 588,074	\$ 839,665
Compensated absences	<u>133,643</u>	<u>122,262</u>
Total liabilities	<u>721,717</u>	<u>961,927</u>
Net Position		
Net Investment in capital assets	564,004	580,261
Unrestricted	<u>1,494,667</u>	<u>1,373,556</u>
Total net position	<u>\$2,058,671</u>	<u>\$1,953,817</u>

PPACG's Statement of Activities

In 2016, PPACG's net positions increased by \$104,854 or 5.4%. In 2015, PPACG's net position increased by \$19,706 or 1%. These changes, shown in Table 2, are primarily made up of fluctuations in PPACG's allowable indirect rate, as detailed below.

Table 2: Summary Statement of Activities for the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Program Revenues		
Charges for Services	\$ 578,556	\$ 575,086
Operating Grants and Contributions	5,246,610	5,818,937
General Revenues		
Member dues	457,999	410,000
Interest income	<u>2,065</u>	<u>2,397</u>
Total Revenues	\$6,285,230	\$6,806,420

Governmental Activities – Expenses

Administration	\$ 32,682	\$ 10,000
Aging program	4,290,817	4,865,907
Transportation program and Environmental	1,013,796	1,320,116
Joint Land Use Study	388,307	77,498
Pikes Peak RTA Administration	454,774	419,900
Connect for Health Colorado	<u>-</u>	<u>93,293</u>
Total governmental activities - expenses	<u>\$6,108,376</u>	<u>\$6,786,714</u>
Change in Net Position	104,854	19,706
Net Position, Beginning of Year	<u>1,953,817</u>	<u>1,934,111</u>
Net Position, End of Year	<u><u>\$2,058,671</u></u>	<u><u>\$1,953,817</u></u>

The majority of PPACG’s revenues and expenses are a result of governmental grants, and are reimbursement-based, as is Pikes Peak RTA Administrative contract. During 2016 compared to 2015 grant revenue decreased by \$572,327. The net decrease is primarily due to a decrease, \$351,749, in Area Agency Aging department which operates internal programs as well as pass through programs. In 2016 pass through expenditures decreased \$135,047 or 6%. Pass through revenue and expenditures are received from the Colorado Department of Human Services and distributed by PPACG Area Agency on Aging program. The Colorado Health Foundation grant also ended mid-year of 2015. Transportation program also had a decrease in expenditures and the corresponding reimbursement revenue of \$199,483. Contract expenditure decreased by \$152,782 or 41% primarily due to less outside work done by subcontractors in the Transportation Program. In 2015 a new Joint Land Use Study for our regions Military bases started this increased \$284,331 in 2016. In June 2016 the calculation on indirect changed for all programs in that we no longer had a standard calculation for all of our government grants. In 2016 we received more indirect cost reimbursement than actual indirect and therefore less funds were needed from other sources.

The *Statement of Revenue and Expenditures – Budget to Actual – General Fund* details the budgeted amounts of 2016’s revenues and expenditures as compared to the actual amounts. PPACG received \$973,956 less in Federal and State grants and Pass through Federal and State grant revenues were \$441,039 less than budgeted. Other Grant income was \$668,497 less than budget which was primarily due to spending less Colorado Health Foundation revenue in the calendar year than estimated. Project Income and Local Support was \$175,255 less than the budgeted amount. PPACG received \$15,901 less in Pikes Peak RTA Administration revenues than were budgeted through savings on expenditures passed through to the Pikes Peak RTA. Overall, PPACG received \$2,274,983 less than budgeted revenues. Actual costs for “personnel” were \$754,295 less than were budgeted and contract services were \$1,008,106 less than budgeted. This was primarily due to not contracting with specialized firms for work on grants. “Reproduction services” were under budget by \$50,478 due to cost savings on the production of copies of the AAA Yellow book and other publications. Pass through expenditures were \$441,038 less than budget and corresponds to Federal and State Grant Pass Through revenue being less than the budget. In an effort to reduce costs conferences, travel, office supplies, communications, support services, memberships, utilities, and building maintenance were less than budget.

Capital Asset and Debt Administration

Capital Assets

At the end of 2016, PPACG had \$564,04 net investment in capital assets, as detailed in Note 3 to the financial statements. PPACG's net assets invested in capital assets decreased \$16,257 over 2015 due to slight increase in purchased assets offset by depreciation expense.

Debt

At December 31, 2016, PPACG did not have any notes payable or capital lease obligations outstanding.

Contacting PPACG's Financial Management

This financial report is designed to provide a general overview of PPACG's finances and to show PPACG's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the PPACG Financial Manager by telephoning 719.471.7080, extension 146.

BASIC FINANCIAL STATEMENTS

PIKES PEAK AREA COUNCIL OF GOVERNMENTS

STATEMENT OF NET POSITION

December 31, 2016

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash	\$ 421,577
Restricted Cash	203,091
Grants and Accounts Receivable	1,589,263
Prepaid Items	2,453
Capital Assets, Not Being Depreciated	15,594
Capital Assets, Net of Accumulated Depreciation	<u>548,410</u>
 TOTAL ASSETS	 <u>2,780,388</u>
LIABILITIES	
Accounts Payable	361,249
Accrued Liabilities	517
Unearned Revenue	226,308
Compensated Absences Payable	<u>133,643</u>
 TOTAL LIABILITIES	 <u>721,717</u>
NET POSITION	
Net Investment in Capital Assets	564,004
Unrestricted	<u>1,494,667</u>
 TOTAL NET POSITION	 <u>\$ 2,058,671</u>

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

PIKES PEAK AREA COUNCIL OF GOVERNMENTS

STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

FUNCTIONS/PROGRAMS	DIRECT EXPENSES	INDIRECT EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION
			CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
PRIMARY GOVERNMENT					
Governmental Activities					
Administration	\$ 32,682	\$ -	\$ -	\$ -	\$ (32,682)
Aging Program	3,896,599	394,218	123,782	4,165,127	(1,908)
Transportation and Environmental Programs	814,853	198,943	-	736,936	(276,860)
Joint Land Use Study	308,535	79,772	-	344,547	(43,760)
Pikes Peak RTA Administration	332,748	122,026	454,774	-	-
Total Governmental Activities	\$ 5,385,417	\$ 794,959	\$ 578,556	\$ 5,246,610	(355,210)
GENERAL REVENUES					
Member Dues					457,999
Investment Income					2,065
					460,064
CHANGE IN NET POSITION					
					104,854
NET POSITION, Beginning					
					1,953,817
NET POSITION, Ending					
					\$ 2,058,671

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

PIKES PEAK AREA COUNCIL OF GOVERNMENTS

BALANCE SHEET
GOVERNMENTAL FUND
December 31, 2016

	GENERAL FUND
ASSETS	
Cash	\$ 421,577
Restricted Cash	203,091
Grants and Accounts Receivable	1,589,263
Prepaid Items	2,453
TOTAL ASSETS	\$ 2,216,384
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 361,249
Accrued Liabilities	517
Unearned Revenue	226,308
TOTAL LIABILITIES	588,074
FUND BALANCE	
Unassigned	1,628,310
TOTAL FUND BALANCE	1,628,310
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,216,384

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balance of the Governmental Fund	\$ 1,628,310
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	564,004
Long-term liabilities, including compensated absences, are not due and payable in the current year and, therefore, are not reported in the funds.	(133,643)
Total Net Position of Governmental Activities	\$ 2,058,671

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

PIKES PEAK AREA COUNCIL OF GOVERNMENTS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
 Year Ended December 31, 2016

	<u>GENERAL FUND</u>
REVENUES	
Federal and State Grants	\$ 2,692,278
Federal and State Grants - Pass Through	2,458,961
Other Grants	81,503
Member Dues	457,999
Project Income and Local Support	137,650
Pikes Peak RTA Administration	454,774
Investment Income	<u>2,065</u>
 TOTAL REVENUES	 <u>6,285,230</u>
EXPENDITURES	
Current	
Administration	32,682
Aging Program	4,272,888
Transportation and Environmental Programs	1,003,485
Joint Land Use Program	384,229
Pikes Peak RTA Administration	448,511
Capital Outlay	<u>10,943</u>
 TOTAL EXPENDITURES	 <u>6,152,738</u>
 NET CHANGE IN FUND BALANCE	 132,492
FUND BALANCE, Beginning	<u>1,495,818</u>
FUND BALANCE, Ending	<u>\$ 1,628,310</u>
 Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Net Change in Fund Balance of the Governmental Fund	\$ 132,492
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense (\$27,200) exceeded capital purchases \$10,943.	(16,257)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in compensated absences.	<u>(11,381)</u>
Change in Net Position of Governmental Activities	<u>\$ 104,854</u>

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

PIKES PEAK AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Pikes Peak Area Council of Governments (the "PPACG") was formed as a regional planning council in 1967 under Colorado Revised Statutes on regional planning and intergovernmental contracting, (CRS 30-28-105) and (CRS 29-1-203), respectively. The PPACG provides transportation, environmental and military impact planning to the Pikes Peak region. In addition, the PPACG is the area agency for aging programs in the Pikes Peak region. The PPACG membership is primarily made up of municipalities and counties in the Pikes Peak region and is governed by elected officials of the member governments.

The accounting policies of the PPACG conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the PPACG's more significant accounting policies follows.

Reporting Entity

The definition of the reporting entity is based primarily on financial accountability. The PPACG is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if the PPACG officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the PPACG. The PPACG may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of the criteria, the PPACG does not include additional organizations in its reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the PPACG. Governmental activities, which normally are supported by member dues and intergovernmental revenues, are reported in a single column.

The statement of net position reports all financial, capital and debt resources of the PPACG. The difference between assets and liabilities of the PPACG is reported as net position.

PIKES PEAK AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses and allocated indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Member dues and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both "measurable and available". Revenues are considered to be "available" when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the PPACG considers revenues to be available if they are collected within 60 days of the end of the current year, except for expenditure-drive grants as discussed in the following paragraph. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Intergovernmental and interest associated with the current fiscal year are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. Grants and similar items are recorded as revenues when all eligibility requirements are met, including any time requirements. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. All other revenues are considered to be measurable and available only when cash is received by the PPACG.

When both restricted and unrestricted resources are available for use, it is the PPACG's practice to use restricted resources first, then unrestricted resources as they are needed.

PIKES PEAK AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Fund Balance/Net Position

The PPACG reports the following major governmental fund in the fund financial statements:

General Fund – The General Fund is used to account for the general operations and specific programs of the PPACG.

Grants and Accounts Receivable – Grants and accounts receivable are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital Assets – Capital assets, which include primarily building and related improvements, and furniture and equipment, are reported in the government-wide financial statements. Capital assets are defined by the PPACG as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Buildings and Improvements	20 - 40 years
Furniture and Equipment	5 - 10 years

Unearned Revenue – Unearned revenue includes grants that have been collected but the corresponding expenditures have not been incurred.

Compensated Absences - Employees of the PPACG are allowed to accumulate unused vacation and sick time. Employees will be paid for all accrued vacation time and 25% of accrued sick time, up to a maximum of 480 hours, upon separation of employment. These compensated absences are recognized as current salary costs when paid in the governmental fund. A liability is reported in the government-wide financial statements for the accrued compensated absences.

Net Position – In the government-wide financial statements, net position is restricted when constraints placed on the net position is externally imposed.

PIKES PEAK AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Fund Balance/Net Position (Continued)

- Net Investment in Capital Assets – This classification is intended to report the portion of net position which is associated with non-liquid, capital assets less outstanding debt related to those capital assets.
- Restricted Net Position – This classification includes liquid assets which have third party limitations on their use.
- Unrestricted Net Position – This classification includes assets that do not have any third party limitations on their use.

Fund Balance Classification – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the PPACG is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items) or (b) are legally or contractually required to be maintained intact.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the PPACG's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- Assigned – This classification includes amounts that are constrained by the PPACG's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or changed than those imposed on committed amounts.

PIKES PEAK AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, Fund Balance/Net Position (Continued)

- Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The PPACG has not established a formal policy for its use of restricted and unrestricted fund balance. However, if both the restricted and unrestricted fund balances are available the PPACG uses restricted fund balance first.

Risk Management

The PPACG is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; business interruption; employee injuries and illness; errors or omissions; natural disasters and employee health, dental and accident benefits. The PPACG purchases commercial insurance for these risks of loss and for directors' and officers' liability.

Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

The PPACG has evaluated events subsequent to the year ended December 31, 2016 through May 1, 2017, the date of these financial statements were issued, and has incorporated any required recognition into these financial statements.

NOTE 2: CASH

A summary of cash and investments at December 31, 2016, follows:

Deposits	\$ 624,268
Petty Cash	<u>400</u>
Total	<u><u>\$ 624,668</u></u>

PIKES PEAK AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 2: CASH (Continued)

Cash is reported in the financial statements as follows:

Cash	\$ 421,577
Restricted Cash	<u>203,091</u>
Total	<u>\$ 624,668</u>

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all local government entities deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of Federal Deposit Insurance Corporation (FDIC) levels must be collateralized by eligible collateral as determined by the PDPA. The FDIC insures depositors up to \$250,000 for each financial institution. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At December 31, 2016, the PPACG had bank deposits totaling \$658,010 of which \$408,010 were collateralized with securities held by the financial institutions' agents but not in the PPACG's name.

Restricted Cash

Restricted cash consists of \$203,091 restricted for Colorado Health Foundation grant.

PIKES PEAK AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016, is summarized below:

	<u>Balances</u> <u>12/31/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>12/31/16</u>
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 15,594	\$ -	\$ -	\$ 15,594
Capital Assets, Being Depreciated				
Building and Improvements	843,356	4,039	-	847,395
Furniture and Equipment	<u>137,308</u>	<u>6,904</u>	<u>-</u>	<u>144,212</u>
Total Capital Assets Being Depreciated	980,664	10,943	-	991,607
Less Accumulated Depreciation	<u>(415,997)</u>	<u>(27,200)</u>	<u>-</u>	<u>(443,197)</u>
Total Capital Assets Being Depreciated, Net	<u>564,667</u>	<u>(16,257)</u>	<u>-</u>	<u>548,410</u>
Total Capital Assets, Net	<u>\$ 580,261</u>	<u>\$ (16,257)</u>	<u>\$ -</u>	<u>\$ 564,004</u>

Depreciation expense was charged to the functions/programs as follows:

Aging Program	\$ 12,640
Transportation and Environmental Programs	7,269
Pikes Peak RTA Administration	4,416
Joint Land Use	<u>2,875</u>
Total	<u>\$ 27,200</u>

NOTE 4: COMPENSATED ABSENCES

Following is a summary of compensated absences transactions for the year ended December 31, 2016:

	<u>Balance</u> <u>12/31/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/16</u>
Compensated Absences	<u>\$ 122,262</u>	<u>\$ 149,781</u>	<u>\$ 138,400</u>	<u>\$ 133,643</u>

Management has determined that the amount due in one year is equal to the December 31, 2016 ending balance.

PIKES PEAK AREA COUNCIL OF GOVERNMENTS

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE 5: PENSION PLAN

The PPACG contributes to a single employer defined contribution money purchase pension plan on behalf of its employees. The contribution requirements of Plan participants and the PPACG are established and may be amended by the PPACG Board of Directors. The Plan is administered by BenefitsCorp, Inc. The PPACG is required to contribute 4.5% of each participant's first \$6,000 of compensation and 9% thereafter. Employees are required to contribute 1.5% of their first \$6,000 of compensation and 3% thereafter. For the year ended December 31, 2016, employee contributions totaled \$47,402 and PPACG recognized pension expense of \$134,597.

Employees are immediately vested in their own contributions and earnings on those contributions, and fully vested in PPACG's contributions and earnings on PPACG contributions after five years. Non-vested PPACG contributions are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. For the year ended December 31, 2016, forfeitures reduced the PPACG's pension expense by \$7,605.

NOTE 6: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The PPACG participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other governmental entities. Expenses financed by grants are subject to audit by the appropriate grantor government. If expenses are disallowed due to noncompliance with grant program regulations, the PPACG may be required to reimburse the grantor government. At December 31, 2016, significant amounts of grant expenses have not been audited but management believes that subsequent audits will not have a material effect on the overall financial position of the PPACG.

NOTE 7: ADMINISTRATIVE SERVICES AGREEMENT

The PPACG has contracted to provide administrative services for the Pikes Peak Rural Transportation Authority (the "PPRTA") as identified in the PPRTA's budget. The agreement is in effect from January 1, 2015 through December 31, 2018. PPACG received \$454,774 from PPRTA for administrative services for the year ended December 31, 2016.

REQUIRED SUPPLEMENTARY INFORMATION

PIKES PEAK AREA COUNCIL OF GOVERNMENTS

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended December 31, 2016

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Federal and State Grants	\$ 3,666,234	\$ 2,692,278	\$ (973,956)
Federal and State Grants - Pass Through	2,900,000	2,458,961	(441,039)
Other Grants	750,000	81,503	(668,497)
Member Dues	457,999	457,999	-
Project Income and Local Support	312,905	137,650	(175,255)
Pikes Peak RTA Administration	470,675	454,774	(15,901)
Interest Income	2,400	2,065	(335)
	8,560,213	6,285,230	(2,274,983)
EXPENDITURES			
Personnel	3,311,672	2,557,377	754,295
Contract Services	1,813,231	805,125	1,008,106
Reproduction Services	88,950	38,472	50,478
Federal and State Grants - Pass Through	2,900,000	2,458,962	441,038
Conferences, Education, Training and Travel	85,900	54,431	31,469
Office Supplies	35,950	18,254	17,696
Communications	27,204	17,921	9,283
Support Services	38,499	52,891	(14,392)
Memberships	21,900	16,542	5,358
Reference Publications	2,157	7,335	(5,178)
Equipment Maintenance and Rental	77,000	46,228	30,772
Building Maintenance	52,000	51,592	408
Utilities	25,000	16,483	8,517
Depreciation	34,000	27,200	6,800
Equipment	16,750	182	16,568
Capital Replacement/Reserve	30,000	-	30,000
	8,560,213	6,168,995	2,391,218
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	116,235	\$ 116,235
ADJUSTMENTS TO GAAP BASIS			
Depreciation		27,200	
Capital Outlay		(10,943)	
NET CHANGE IN FUND BALANCE		132,492	
FUND BALANCE, Beginning		1,495,818	
FUND BALANCE, Ending		\$ 1,628,310	

See the accompanying Independent Auditor's Report.

PIKES PEAK AREA COUNCIL OF GOVERNMENTS

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2016

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The PPACG follows these procedures in establishing the budgetary data reflected in the financial statements:

- In September, the Executive Director submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain public comments.
- In October, the Board of Directors approves the budget for submission to member governments for ratification of the budget and dues assessment.
- Prior to December 31, the Board of Directors approves and signs a resolution officially adopting the budget.
- Any revisions that alter the total expenditures must be approved by the Board of Directors.
- A budget for the General Fund is legally adopted on a basis consistent with generally accepted accounting principles (GAAP), except that the PPACG budgets for depreciation expense and does not budget for capital outlay.
- All appropriations lapse at year end. Colorado governments may not exceed budgeted appropriations at the fund level.

SUPPLEMENTARY INFORMATION

PIKES PEAK AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2016

	<u>Pass-Through Entity Identifying Number</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
U. S. Department of Health and Human Services			
Passed through Colorado Department of Human Services:			
Special Programs for the Aging - Title III:			
Part B - Grants for the Supportive Services and Senior Centers		93.044 *	\$ 479,218 M
Part C - Nutrition Services		93.045 *	564,061 M
Nutrition Services Incentive Program		93.053 *	99,077 M
Special Programs for the Aging - Title III, Part D - Disease			
Prevention and Health Promotion Services		93.043	29,514
National Family Caregiver Support, Title III, Part E			
Special Programs for the Aging - Title VII:		93.052	191,124
Chapter 3 - Programs for Prevention of Elder Abuse, Neglect and Exploitation		93.041	4,999
Chapter 2 - Long Term Care Ombudsman Services for Older Individuals		93.042	22,670
Passed through Colorado Department of Regulatory Agencies, Division of Insurance:			
Centers for Medicare and Medicaid Services (CMS) Research and			
Demonstrations and Evaluations		93.779	82,125
Special Programs for the Aging - Title IV and Title II Discretionary Projects		93.048	<u>6,783</u>
Total U.S. Department of Health and Human Services			<u>1,479,571</u>
U.S. Department of Transportation			
Passed through Colorado Department of Transportation:			
Highway Planning and Construction Grant	49100112	20.205	682,448
Passed through City of Colorado Springs:			
Enhanced Mobility of Seniors and Individuals with Disabilities	9349096	20.513	<u>12,219</u>
Total U.S. Department of Transportation			<u>694,667</u>
U.S. Department of Defense			
Passed through the Office of Economic Adjustment:			
Community Economic Adjustment Assistance for Compatible			
Use and Joint Land Use Studies	EN1535-15-01	12.610	<u>344,547 M</u>
U.S. Environmental Protection Agency			
Passed through Colorado Department of Public Health and Environment:			
Nonpoint Source Implementation Grants		66.460	<u>10,292</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 2,529,077</u></u>

* - represents a program cluster

M - audited as a major program

See the accompanying Independent Auditor's Report.

PIKES PEAK AREA COUNCIL OF GOVERNMENTS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2016

NOTE 1: BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), using the accrual basis of accounting. 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 2: SUBRECIPIENTS

For the year ended December 31, 2016, the PPACG passed-through federal awards to subrecipients as follows:

<u>Program</u>	<u>CFDA #</u>	<u>Subrecipient</u>	<u>Amount</u>
Special Programs for the Aging - Title III: Part D – Disease Preventions and Health Promotion Services	93.043	YMCA of the Pikes Peak Region	\$ 29,514
Special Programs for the Aging - Title III: Part B – Grants for the Supportive Services and Senior Centers	93.044	Amblicab	6,843
		Colorado Legal Services	50,389
		Community of Caring	11,362
		Innovations in Aging Collaborative	5,108
		Mountain Community Mennonite Church	1,892
		Next Day Access	5,228
		Park County Senior Coalition	58,826
		Pikes Peak United Way	12,460
		Prospect Home Care-Hospice, Inc.	12,194
		Silver Key Senior Services, Inc.	7,635
		Teller Senior Coalition	36,476
		University of Colorado – Colorado Springs	13,461
Special Programs for the Aging – Title III: Part C – Nutrition Services	93.045	El Paso Fountain Valley Senior Citizens	43,233
		Park County Senior Coalition	45,232
		Teller Senior Coalition	54,277
		Silver Key Senior Services, Inc.	421,156
National Family Caregiver Support, Title III, Part E	93.052	Park County Senior Coalition	1,978
		Teller Senior Coalition	12,219
		University of Colorado – Colorado Springs	18,352
Nutrition Services Incentive Program	93.053	El Pass Fountain Valley Senior Citizens	4,062
		Park County Senior Coalition	5,561
		Silver Key Senior Services, Inc.	83,617
		Teller Senior Coalition	5,836
Total			<u>\$ 946,911</u>

SINGLE AUDIT



Board of Directors
Pikes Peak Area Council of Governments
Colorado Springs, Colorado

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Pikes Peak Area Council of Governments (the "PPACG") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the PPACG's basic financial statements, and have issued our report thereon dated May 1, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the PPACG's internal control over financial reporting (internal control) to determine the 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 PPACG's internal control. Accordingly, we do not express an opinion on the effectiveness of PPACG'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the PPACG'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the PPACG's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 PPACG's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the PPACG's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Logan and Associates, LLC

Aurora, Colorado
May 1, 2017



Board of Directors
Pikes Peak Area Council of Governments
Colorado Springs, Colorado

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

Report on Compliance for Each Major Federal Program

We have audited the Pikes Peak Area Council of Governments' (the "PPACG's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the PPACG's major federal programs for the year ended December 31, 2016. PPACG's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the PPACG's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the PPACG's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the PPACG 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, 2016.

Report on Internal Control Over Compliance

Management of the PPACG is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the PPACG's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the PPACG's internal control over compliance.

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

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

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

Logan and Associates, LLC

Aurora, Colorado
May 1, 2017

PIKES PEAK AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weaknesses identified? _____yes no
- Significant deficiencies identified that are not considered to be material weaknesses? _____yes none reported

Noncompliance material to financial statements noted?

_____yes no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____yes no
- Significant deficiencies identified that are not considered to be material weaknesses? _____yes none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____yes no

Identification of major programs:

- 93.044 Special Programs for the Aging – Title III: Part B – Grants for the Supportive Services and Senior Centers
- 93.045 Special Programs for the Aging – Title III: Part C – Nutrition Services
- 93.053 Nutrition Services Incentive Program
- 12.610 Community Economic Adjustment Assistance for Compatible Use and Joint Land Use Studies

Dollar threshold to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee. yes _____no

Financial Statement Findings

The audit of the financial statements did not disclose significant deficiencies in internal control that would be considered material weaknesses, and did not disclose fraud, illegal acts, violations of provisions of contracts and grant agreements, or abuse that were material to those financial statements.

(Continued)

PIKES PEAK AREA COUNCIL OF GOVERNMENTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2016

Federal Awards Findings and Questioned Costs

The audit of federal awards did not disclose significant deficiencies in internal control that would be considered material weaknesses, and did not disclose instances of noncompliance or abuse that were material to those federal awards.

PIKES PEAK AREA COUNCIL OF GOVERNMENTS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2016

No Prior Audit Findings Reported.