

**DENVER REGIONAL COUNCIL OF GOVERNMENTS**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2018**

# DENVER REGIONAL COUNCIL OF GOVERNMENTS

## Board of Officers

Bob Fifer, Chair, City of Arvada  
John Diak, Vice Chair, Town of Parker  
Ashley Stolzmann, Treasurer, City of Louisville  
Kevin Flynn, Treasurer, City of Denver  
Herb Atchison, Immediate Past Chair, City of Westminster  
Douglas W. Rex, Executive Director

## Board of Directors

<u>Jurisdiction</u>	<u>Member</u>	<u>Jurisdiction</u>	<u>Member</u>
Adams County	Eva Henry	Federal Heights	Daniel Dick
Arapahoe County	Jeff Baker	Firestone	Drew Peterson
Boulder County	Elise Jones	Foxfield	Lisa Jones
Broomfield	David Beacom	Frederick	Laura Brown
Clear Creek County	Randy Wheelock	Georgetown	Lynette Kelsey
Denver	Nicholas Williams	Glendale	Scott Norquist
	Kevin Flynn	Golden	Jim Dale
Douglas County	Roger Partridge	Greenwood Village	Ron Rakowsky
Gilpin County	Ron Engels	Idaho Springs	Mike Hillman
Jefferson County	Libby Szabo	Lafayette	Stephanie Walton
Arvada	Bob Fifer	Lakewood	Dana Gutwein
Aurora	Bob Roth	Larkspur	Vacant
Bennett	Larry Vittum	Littleton	Karina Elrod
Black Hawk	David Spellman	Lochbuie	Larry Strock
Boulder	Aaron Brockett	Lone Tree	Wynne Shaw
Bow Mar	Margo Ramsden	Longmont	Joan Peck
Brighton	Lynn Baca	Louisville	Ashley Stolzmann
Castle Pines	Roger Hudson	Lyons	Connie Sullivan
Castle Rock	George Teal	Mead	Joyce Palaszewski
Centennial	Tammy Maurer	Morrison	Paul Sutton
Central City	Jeremy Fey	Nederland	Kristopher Larsen
Cherry Hills Village	Katy Brown	Northglenn	Julie Duran-Mullica
Columbine Valley	Richard Champion	Parker	John Diak
Commerce City	Rick Teter	Sheridan	Sally Daigle
Dacono	Jackie Thomas	Silver Plume	Vacant
Deer Trail	Vacant	Superior	Sandy Hammerly
Edgewater	Steve Conklin	Thornton	Jessica Sandgren
Empire	Vacant	Westminster	Herb Atchison
Englewood	Linda Olson	Wheat Ridge	Bud Starker
Erie	Bill Gippe		

## Governor's Non-Voting Appointees

Rebecca White, Colorado Dept. of Transportation  
Adam Zarrin, Governor's Office

## Regional Transportation District Non-Voting Appointee

Bill Van Meter, Regional Transportation District

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## INDEPENDENT AUDITORS' REPORT

Finance and Budget Committee of the Board of Directors  
Denver Regional Council of Governments  
Denver, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of the Denver Regional Council of Governments, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Denver Regional Council of Governments as of December 31, 2018, and the respective changes in financial position and the budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-11 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 Denver Regional Council of Governments' basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2019 on our consideration of Denver Regional Council of Governments' 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's 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 Denver Regional Council of Governments' internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Broomfield, Colorado  
June 7, 2019

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

As management of the Denver Regional Council of Governments (DRCOG), Denver, Colorado, we offer readers of DRCOG's basic financial statements this narrative overview and analysis of the financial activities of DRCOG for the fiscal year ended December 31, 2018.

**Financial Highlights**

- The assets of DRCOG exceeded its liabilities at the close of 2018 by \$7,361,830. Of this total, \$7,256,625, or 99%, is unrestricted and may be used to meet DRCOG's obligations to the public and creditors.
- DRCOG's total net position increased \$199,952.
- The total cost of DRCOG's programs increased \$3,930,821 or 13.16%, compared to 2017.
- Total revenues increased \$4,750,495 or 16.24%, compared to 2017.
- The General Fund reported a fund balance of \$7,691,016 as of December 31, 2018, a decrease of \$5,221. Of this amount, \$4,674,626, or 60.8% is unassigned.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to DRCOG's basic financial statements. DRCOG's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of DRCOG's finances, in a manner similar to a private-sector business. The government-wide financial statements include the statement of net position and the statement of activities.

The *statement of net position* presents information on all of DRCOG's 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 DRCOG is improving or deteriorating.

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

**Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. DRCOG uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

DRCOG maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, which is considered to be a major fund.

DRCOG adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

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

**Supplemental information.** In addition to the basic financial statements and accompanying notes, this report also presents certain reports required by the Uniform Grant Guidance.

### **Government-wide Financial Analysis**

#### **Analysis of Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The analysis below focuses on the net position and changes in net position of DRCOG's governmental activities. At the end of the current fiscal year, DRCOG is able to report positive balances in all categories of net position.

Table 1 presents an analysis of DRCOG's net position as of December 31, 2018. DRCOG's assets exceeded liabilities and deferred inflows by \$7,361,830 at the close of 2018. Total net position increased by \$199,952 in 2018. The increase is comprised of the following:

- Total assets increased \$1,162,382 to \$11,896,676. This mainly included an increase in receivables of \$2,071,114.
- Total liabilities increased \$962,430 to \$4,534,846.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

**Table 1  
Denver Regional Council of Governments  
Summary of Net Position**

	Governmental Activities	
	2018	2017
<b>Assets</b>		
Current Assets	\$ 11,791,471	\$ 10,568,886
Capital Assets	105,205	165,408
Total Assets	<u>11,896,676</u>	<u>10,734,294</u>
<b>Liabilities</b>		
Current Liabilities	4,261,122	3,311,878
Long-Term Liabilities	273,724	260,538
Total Liabilities	<u>4,534,846</u>	<u>3,572,416</u>
<b>Net Position</b>		
Investment in Capital Assets	105,205	165,408
Unrestricted	7,256,625	6,996,470
Total Net Position	<u>\$ 7,361,830</u>	<u>\$ 7,161,878</u>

The largest portion of DRCOG's net position amounting to \$7,256,625 is unrestricted and may be used to meet DRCOG's obligations to the public and creditors.

**Analysis of Changes in Net Position**

As presented in Table 2, DRCOG's overall net position increased \$199,952 compared to a decrease of \$619,722 during 2017.

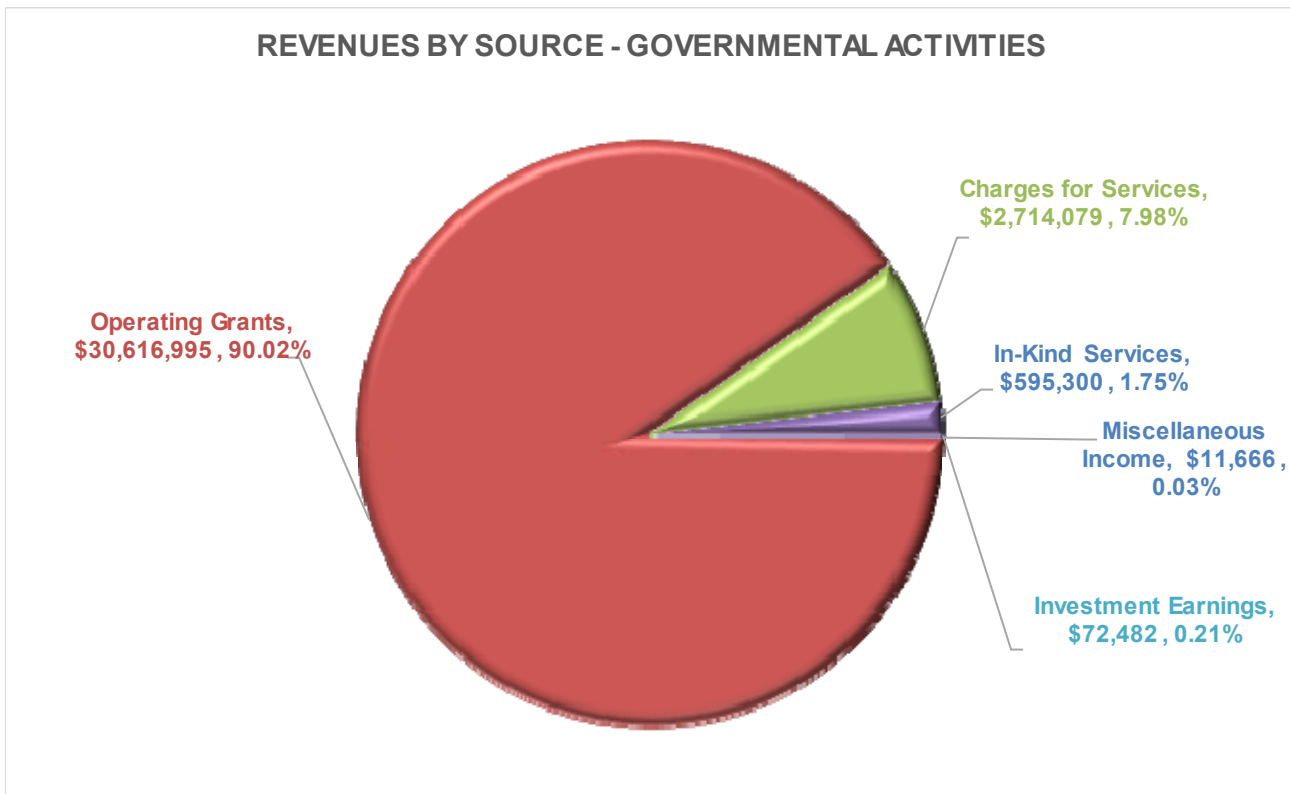
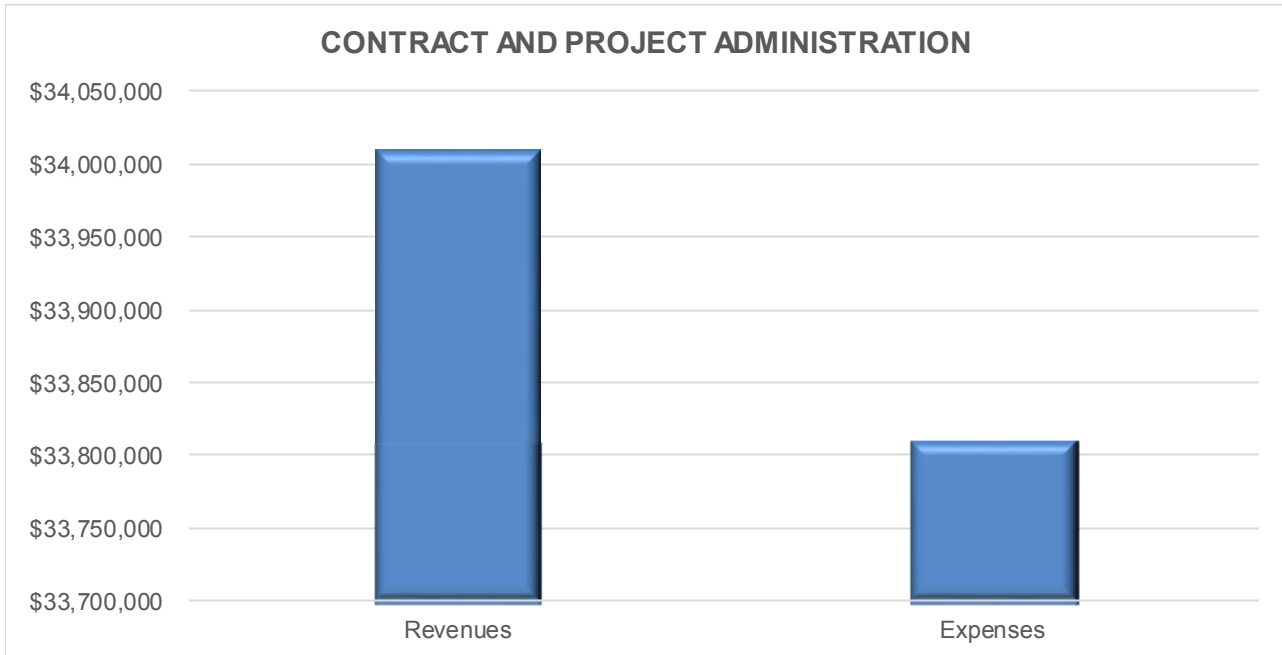
Governmental revenues increased \$4,750,495 or 16.24% compared to 2017. The increase was due primarily to increases in Operating Grants and Contributions. Governmental expenses increased \$3,930,821, or 13.16% from 2017. The increase was due primarily to increases in salaries and benefits related to federal grants and consulting and other contractual expenditures related to grants.

**Table 2  
Denver Regional Council of Governments  
Summary of Changes in Net Position**

	Governmental Activities	
	2018	2017
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$ 2,714,079	\$ 2,278,179
Operating Grants and Contributions	30,616,995	26,268,329
General Revenues		
In-Kind Services	595,300	591,173
Net Investment Income	72,482	18,794
Miscellaneous Income	11,666	103,552
Total Revenues	<u>34,010,522</u>	<u>29,260,027</u>
Expenses		
Contract and Project Administration	<u>33,810,570</u>	<u>29,879,749</u>
Change in Net Position	199,952	(619,722)
Net Position - Beginning	7,161,878	7,781,600
Net Position - Ending	<u>\$ 7,361,830</u>	<u>\$ 7,161,878</u>

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

The following graph provides visual representations of the expenses and revenues for governmental activities for 2018.



**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

**Financial Analysis of DRCOG's Fund**

As noted earlier, DRCOG uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of DRCOG's *governmental fund* is to provide information on near-term inflows, outflows, and balances of *spendable resources*. This information is necessary to assess DRCOG's financing requirements. Types of governmental funds reported by DRCOG include the General Fund. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the year.

The General Fund is the primary operating fund of DRCOG. At December 31, 2018, the General Fund reported ending fund balances of \$7,691,016 a decrease of \$5,221 compared to 2017 of \$7,696,237.

\$4,674,626 or 60.8%, constitutes *unassigned fund balance*, which is available for spending at DRCOG's discretion. Management and the Board of Directors have assigned \$2,925,202 as follows:

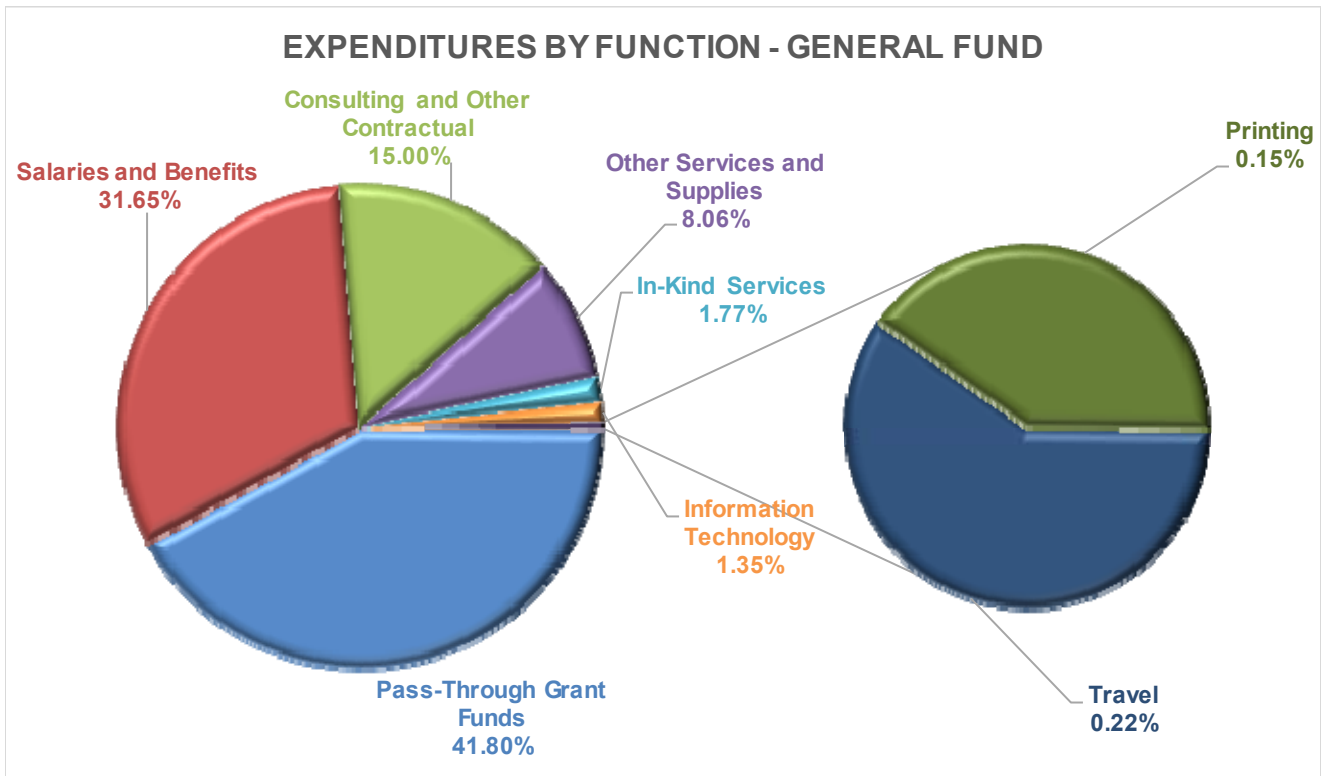
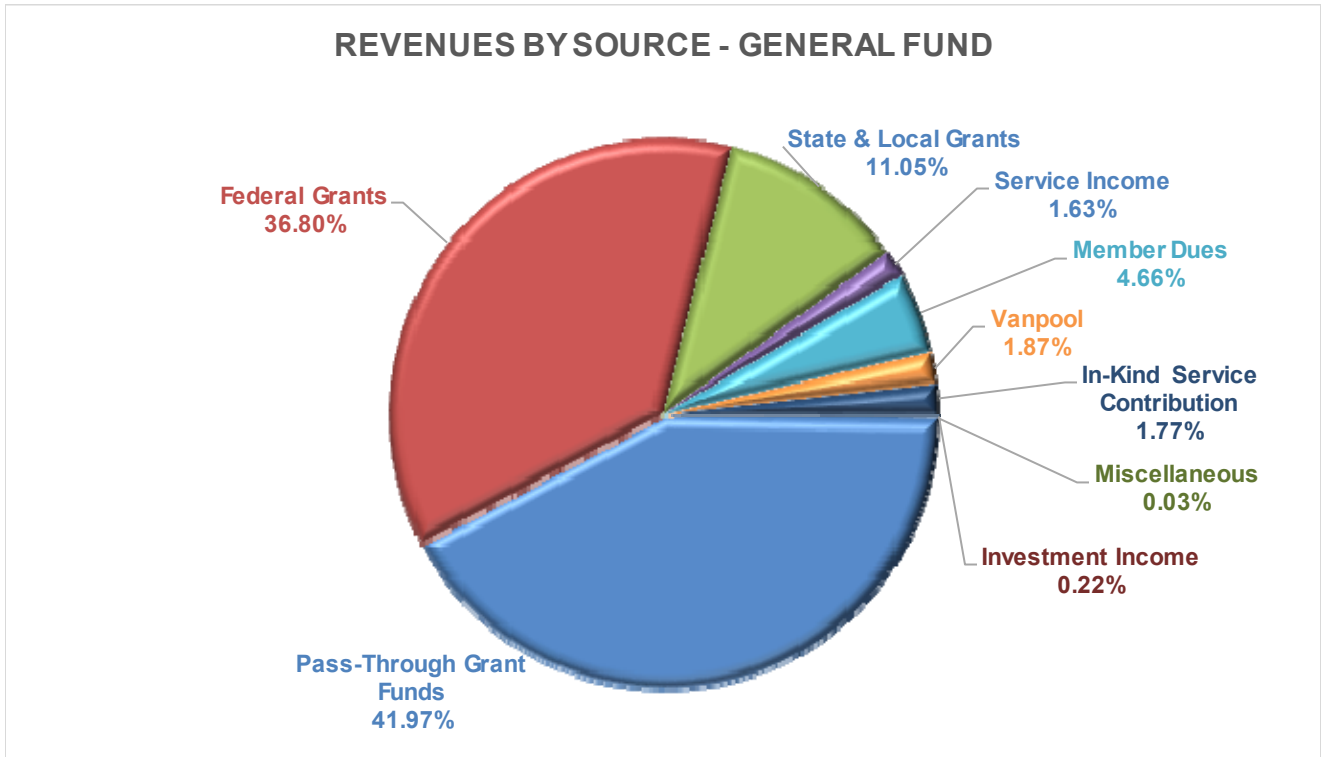
	<u>Balance 12/31/2017</u>	<u>Additions/ Deletions</u>	<u>Balance 12/31/2018</u>
Denver Regional Aerial Photography Program (DRAPP)	\$ 786,303	\$ (73,897)	\$ 712,406
Vanpool	1,169,960	(426,958)	743,002
Way to Go	1,149,406	320,388	1,469,794
Subsequent Year's Expenditures	385,607	(385,607)	-
	<u>\$ 3,491,276</u>	<u>\$ (566,074)</u>	<u>\$ 2,925,202</u>

The above amount, "Subsequent Year's Expenditures," represents the amount of existing reserves approved to be used in the subsequent budget year. The approved budget for DRCOG's 2019 fiscal year budgeted revenues over expenditures by \$359,105, so no line for "Subsequent Year's Expenditures", will appear under assigned fund balance on the 2018 statements.

As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 23.8% of total General Fund expenditures compared to 26.0% in 2017.

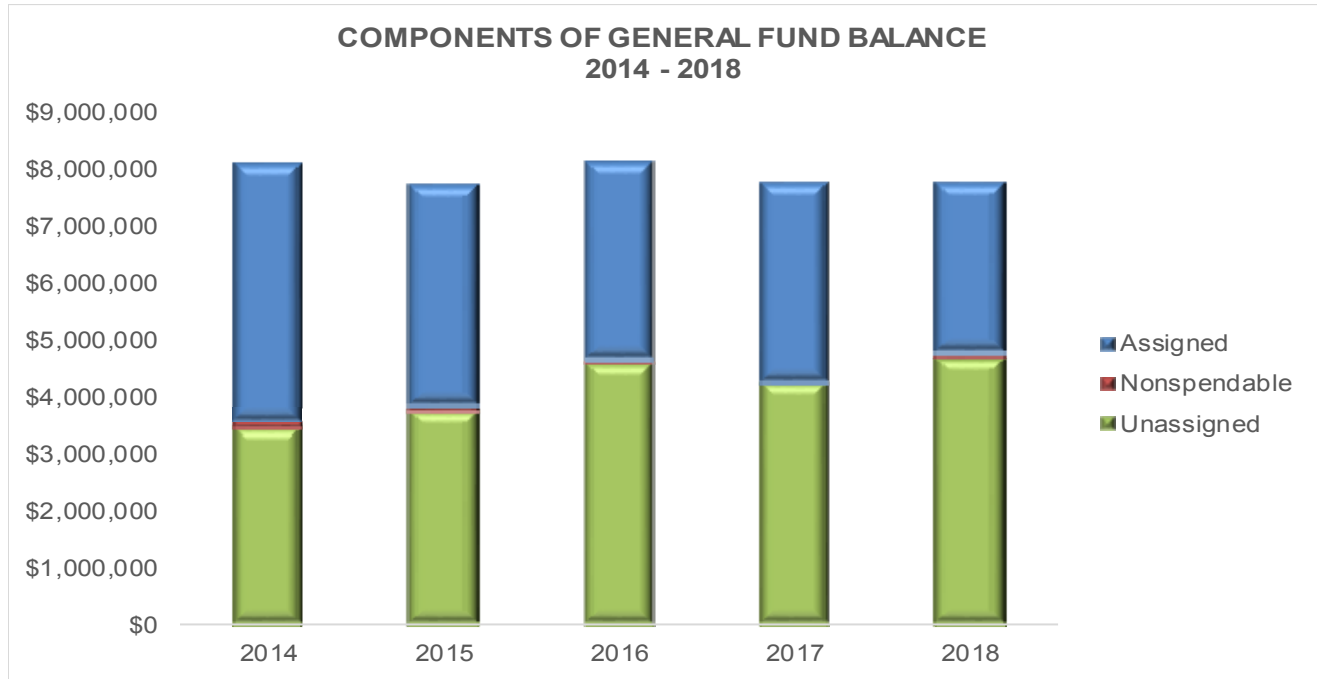
**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

The following graphs provide visual representations of the expenditures and revenues for the General Fund for 2018.



**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

Fund Balance represents the accumulated excess of revenues over expenditures and therefore reflects cumulative results over time. Total Fund Balance consists of nonspendable, assigned and unassigned portions. Only the unassigned portions are available to finance future operations.



**Budgetary Highlights**

A budgetary comparison statement is part of the Basic Financial Statements. During the year, DRCOG did not exceed budgeted appropriations.

**Capital Assets Administration**

As can be seen from the table below, DRCOG's investment in capital assets as of December 31, 2018 amounts to \$105,205 (net of accumulated depreciation). This investment in capital assets includes vehicles, equipment and furniture and fixtures. The most significant change to DRCOG's capital assets was dispositions of \$230,375 with an accumulated depreciation value of \$204,148.

**Capital Assets at Year-End  
(Net of Depreciation)**

	Governmental Activities	
	2018	2017
Electronic Equipment and Software	\$ 42,410	\$ 91,110
Furniture, Fixtures, Vehicles and Equipment	62,795	74,298
	<u>\$ 105,205</u>	<u>\$ 165,408</u>

Additional information on capital assets can be found in the notes to the financial statements (Note 3).

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018**

**Economic Factors and Next Year's Budgets and Rates**

Like 2017, Colorado and Metro Denver saw improvements in most economic indicators in 2018. Colorado continued to outpace the nation in employment growth. As companies consistently increased staffing levels and Colorado's labor force continued to tighten, the unemployment rate in 2018 was 3.6 percent as of December. This is an increase from 1.3 percent in 2017. Colorado's unemployment rate remained below the national rate for the 14th consecutive year. The state's unemployment situation is expected to remain strong with unemployment predicted to average 3.1 percent in 2019. The indirect rate will decrease in July of this year.

**Requests for Information**

This financial report is designed to provide a general overview of DRCOG's finances for all those with an interest in DRCOG's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Denver Regional Council of Governments, 1001 17<sup>th</sup> Street, Suite 700, Denver, Colorado 80202.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

**ASSETS**

Current Assets:	
Cash & Cash Equivalents	\$ 2,809,910
Investments	2,671,391
Contracts Receivable	
Federal Grants	3,843,488
State Grants	1,661,168
Local Grants	475,818
Accounts Receivable	238,508
Prepaid Expense	91,188
Total Current Assets	<u>11,791,471</u>
Noncurrent Assets:	
Depreciable Assets	657,341
Accumulated Depreciation	<u>(552,136)</u>
Total Noncurrent Assets	<u>105,205</u>
Total Assets	<u><u>\$ 11,896,676</u></u>

**LIABILITIES AND NET POSITION**

**LIABILITIES**

Current Liabilities:	
Accounts Payable	\$ 3,155,261
Accrued Wages and Related Liabilities	344,555
Unearned Revenue	275,453
Compensated Absences	485,853
Total Current Liabilities	<u>4,261,122</u>
Non-Current Liabilities:	
Compensated Absences - Long-Term	<u>273,724</u>
Total Non-Current Liabilities	<u>273,724</u>
Total Liabilities	<u><u>\$ 4,534,846</u></u>

**NET POSITION**

Investment in Capital Assets	105,205
Unrestricted	<u>7,256,625</u>
Total Net Position	<u>7,361,830</u>
Total Liabilities and Net Position	<u><u>\$ 11,896,676</u></u>

See accompanying Notes to Financial Statements.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

Function/Program Activities	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position
		Permits, Fees, and Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Contract and Project Administration	\$ 33,810,570	\$ 2,714,079	\$ 30,616,995	\$ (479,496)
Total Governmental Activities	<u>\$ 33,810,570</u>	<u>\$ 2,714,079</u>	<u>\$ 30,616,995</u>	(479,496)
<b>GENERAL REVENUES</b>				
In-Kind Services				595,300
Net Investment Income				72,482
Miscellaneous Income				<u>11,666</u>
Total General Revenues				<u>679,448</u>
<b>CHANGE IN NET POSITION</b>				199,952
Net Position - Beginning				<u>7,161,878</u>
<b>NET POSITION - END OF YEAR</b>				<u>\$ 7,361,830</u>

See accompanying Notes to Financial Statements.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
BALANCE SHEET  
GOVERNMENTAL FUND – GENERAL FUND  
DECEMBER 31, 2018**

**ASSETS**

Cash & Cash Equivalents	2,809,910
Investments	2,671,391
Contracts Receivable	
Federal Grants	3,843,488
State Grants	1,661,168
Local Grants and Service Contracts	475,818
Accounts Receivable	238,508
Prepaid Items	<u>91,188</u>
 Total Assets	 <u><u>\$ 11,791,471</u></u>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts Payable	\$ 3,155,261
Accrued Wages and Related Liabilities	344,555
Unearned Revenue	<u>275,453</u>
Total Liabilities	<u><u>3,775,269</u></u>

**DEFERRED INFLOWS OF RESOURCES**

Unavailable Resources	<u>325,186</u>
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**FUND BALANCE**

Nonspendable	
Prepaid Items	91,188
Assigned	
Denver Regional Aerial Photography Program (DRAPP)	712,406
Vanpool	743,002
Way to Go	1,469,794
Unassigned	<u>4,674,626</u>
Total Fund Balance	<u><u>7,691,016</u></u>

Total Liabilities and Fund Balance	<u><u>\$ 11,791,471</u></u>
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**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
RECONCILIATION OF THE GOVERNMENTAL FUND  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2018**

**Total Fund Balance - Governmental Fund** \$ 7,691,016

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital Assets, Net of \$552,136 Accumulated Depreciation 105,205

Deferred inflows related to revenue that is not received within 90 days after the end of the year are considered unavailable revenue and therefore are not reported in the governmental funds balance sheet.

325,186

Long-term liabilities applicable to DRCOG's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position.

Balances are December 31, 2018 are:

Compensated Absences (759,577)

**Net Position - Governmental Activities** \$ 7,361,830

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND – GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**REVENUES**

Participating Member Dues	\$ 1,569,448
Federal Grants	12,397,491
State Grants	3,036,851
Local Grants	90,453
In-Kind Service Contribution	595,300
Vanpool	629,589
Denver Regional Aerial Photography Program (DRAPP)	596,401
Service Income:	
EcoPass	477,218
Other	71,012
Investment Income	72,482
Miscellaneous Income	11,666
Pass-Through Grant Funds	<u>14,137,425</u>
Total Revenues	33,685,336

**EXPENDITURES**

Current	
Salaries and Benefits	10,662,101
Other Contractual Services	
Pass-Through Grant Funds	14,081,573
Consulting and Other Contractual	5,055,234
In-Kind Services	595,300
Travel	75,579
Printing Services	51,139
Information Technology Services	453,256
Other Services and Supplies	<u>2,716,375</u>
Total Expenditures	<u>33,690,557</u>

**NET CHANGE IN FUND BALANCES**

(5,221)

Fund Balance - Beginning of Year

7,696,237

**FUND BALANCES - END OF YEAR**

\$ 7,691,016

See accompanying Notes to Financial Statements.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**Net Change in Fund Balance - Governmental Fund** \$ (5,221)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays \$0 exceeded depreciation expense (\$33,976) in the current period. (33,976)

The net effect on the disposal of capital assets where historical costs exceeds accumulated depreciation. (26,227)

Deferred inflows related to revenue that is not received within 90 days after the end of the year are considered unavailable revenue and therefore are not reported in the statement of revenues, expenditures, and changes in fund balance of the governmental fund. 325,186

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.

Adjustment to Compensated Absences Liability (59,810)

**Net Position - Governmental Activities** \$ 199,952

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Participating Member Dues	\$ 1,561,000	\$ 1,569,448	\$ 8,448
Federal Grants	15,327,457	12,397,491	(2,929,966)
State Grants	2,147,177	3,036,851	889,674
Local Grants	156,525	90,453	(66,072)
In-Kind Service Contribution	594,323	595,300	977
Vanpool	1,308,600	629,589	(679,011)
Denver Regional Aerial Photography Program (DRAPP)	884,024	596,401	(287,623)
Service Income:			
EcoPass	233,166	477,218	244,052
Other	16,834	71,012	54,178
Investment Income	30,000	72,482	42,482
Miscellaneous Income	-	11,666	11,666
Pass-Through Grant Funds	13,012,802	14,137,425	1,124,623
Total Revenues	<u>35,271,908</u>	<u>33,685,336</u>	<u>(1,586,572)</u>
<b>EXPENDITURES</b>			
Current			
Salaries and Benefits	11,520,703	10,662,101	858,602
Other Contractual Services			
Pass-Through Grant Funds	13,012,802	14,081,573	(1,068,771)
Consulting and Other Contractual	6,984,078	5,055,234	1,928,844
In-Kind Services	999,916	595,300	404,616
Travel	183,037	75,579	107,458
Printing Services	70,141	51,139	19,002
Information Technology Services	190,111	453,256	(263,145)
Other Services and Supplies	2,346,727	2,716,375	(369,648)
Capital Outlay	350,000	-	350,000
Total Expenditures	<u>35,657,515</u>	<u>33,690,557</u>	<u>1,966,958</u>
<b>NET CHANGE IN FUND BALANCE</b>	(385,607)	(5,221)	380,386
Fund Balance - Beginning of Year	<u>7,750,598</u>	<u>7,696,237</u>	<u>(54,361)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 7,364,991</u>	<u>\$ 7,691,016</u>	<u>\$ 326,025</u>

See accompanying Notes to Financial Statements.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles applicable to governmental units. A summary of the Denver Regional Council of Governments' (DRCOG) significant accounting policies consistently applied in the preparation of these financial statements follows.

**Definition of Reporting Entity**

DRCOG is a mechanism for uniting intergovernmental planning, policy making and action. It is a blend of 59 local governments in the Denver region into a single agency. Formed in 1955 as the Inter-County Regional Planning Association, DRCOG is a voluntary association of city and county governments within the nine county state planning and management region. The members include Adams, Arapahoe, Boulder, Clear Creek, Douglas, Gilpin, and Jefferson counties, the City and County of Denver, the City and County of Broomfield and 50 municipalities.

The functions for DRCOG include:

- Promoting regional cooperation
- Coordinating between local governments
- Resolving common problems
- Performing regional planning
- Encouraging orderly development
- Providing services to members

DRCOG follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organization and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

Based upon the application of these criteria, no additional organizations are included within DRCOG's reporting entity.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and Statement of Activities) report information on all activities of the government. Governmental activities are supported mainly by membership dues and intergovernmental revenues.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**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 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. 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 a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

DRCOG reports the following major governmental fund:

The General Fund is the operating fund of DRCOG. It accounts for all of its financial resources.

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

**Cash and Investments**

DRCOG pools cash resources of its various projects in order to facilitate the management of cash. Cash is pooled in interest-bearing accounts. Cash applicable to a particular project is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

Investments for DRCOG are reported at fair value and amortized costs as reported in Note 2. The fair value is determined by the closing trading value of the investment at year-end. Fair values were based on quoted market rates as of December 31, 2018.

**Contract Receivables**

Contract receivables are mainly grant receivables from federal and state governments and include amounts due from grantors at the time reimbursable project costs are incurred.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivables**

Receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

**Prepaid Assets**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. DRCOG did not have any prepaid items as of December 31, 2018.

**Capital Assets**

Capital assets, which include furniture, fixtures and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by DRCOG as assets with an initial, individual cost of more than \$5,000. 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 cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Furniture, fixtures, equipment and vehicles of DRCOG are depreciated using the straight-line method over the following estimated useful lives:

Assets	7 years
Furniture and Fixtures	10 years
Equipment	4 – 5 years
Vehicles	7 years

**Unearned Revenue**

Unearned revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

**Long-Term Obligations**

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position. Acquisitions under capital leases are reported as other financing sources.

**Deferred Inflows of Resources**

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

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Compensated Absences**

Vested amounts are those which accrue to the employee even if the employee terminates. Leave vests with the employees to various maximum amounts, based on lengths of employment from less than one year to twenty years. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**Net Position and Fund Balance**

**Net Position**

The government-wide financial statements utilize a net position presentation. Net position is categorized as investment in capital assets and unrestricted.

Investment in capital assets is intended to reflect the portion of net position that is associated with non-liquid, capital assets.

Unrestricted Net Position represents assets that do not have any third party limitations on their use.

**Fund Balances**

Generally, fund balance represents the difference between the current assets and current liabilities. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which DRCOG is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The following classifications describe the relative strength of the spending constraints:

*Nonspendable* - Fund balances are reported as non-spendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

*Restricted fund balance* - amounts constrained to specific purposes by their providers (such as grantors and higher levels of government), through constitutional provisions, or by enabling legislation.

*Committed* - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors of DRCOG. The Board of Directors is the highest level of decision-making authority for DRCOG. Commitments may be established, modified or rescinded only through resolutions approved by the Board of Directors.

*Assigned* - Fund balances are reported as assigned when amounts are constrained by the *intent* to be used for specific purposes, but are neither restricted nor committed. Under DRCOG's policy, the Executive Director may assign amounts for specific purposes.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fund Balances (Continued)

DRCOG reports the following assigned fund balances:

Denver Regional Aerial Photography Program (DRAPP)	\$ 712,406
Vanpool	743,002
Way to Go	<u>1,469,794</u>
	<u>\$ 2,925,202</u>

Program assigned amounts were accumulated from excess revenues over expenditures for these respective programs. DRCOG assigns these excess revenues to be spent in the programs in which they were accumulated.

*Unassigned* - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. Through resolution, the Finance and Budget Committee of the Board of Directors has adopted a financial standard maintaining a fund balance equal to three months' expenditures.. At December 31, 2018, this percentage was 23.8 percent.

*Flow Assumptions* - When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is DRCOG's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is DRCOG's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

**Budget and Budgetary Accounting**

Revenues and expenditures of the general fund are controlled by budgetary accounting to provide a sound basis for planning and management of DRCOG's programs. In November of the previous year, an annual budget is adopted by formal resolution. The budget is prepared on the same basis that is used for accounting purposes. Budget authority lapses at year-end.

Budgeted amounts reported in the accompanying required supplemental information are as originally adopted and as amended by the Finance and Budget Committee of the Board of Directors throughout the year. There were no budget amendments during the year.

**In-Kind Service Contributions**

Contributed services performed by various contracting parties on assisted projects are valued at cost to the contracting party as of the date the services are performed. Equal amounts of revenue and expenditures are recorded to reflect these contributions.

**Assisted Projects**

All grants and contracts awarded to DRCOG are referred to as assisted projects. Records are maintained whereby expenditures incurred are recorded in separate project accounts in the general fund.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Indirect Costs**

DRCOG allocates indirect costs to assisted projects in accordance with Uniform Grant Guidance. Actual expenditures specifically identifiable with individual grants are charged directly to those grants. Indirect costs necessary to sustain overall operations are allocated as a percentage of total direct labor costs charged to the projects.

**NOTE 2 DEPOSITS AND INVESTMENTS**

DRCOG is governed by the deposit and investment limitations of state law. Deposits and investments held at December 31, 2018 are reported as follows:

Cash	\$ 1,592,103
Cash Equivalents	1,217,807
Investments	2,671,391
Total Cash and Investments	<u>\$ 5,481,301</u>

**Deposits**

**Custodial credit risk – deposits:**

Custodial risk for deposits is the risk that, in the event of a failure of a depository financial institution, DRCOG will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. DRCOG's deposit policy is in accordance with CRS 11-10.5-101, the Colorado Public Deposit Protection Act (PDPA), which governs investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The institution's internal records identify the collateral by depositor and as such, these deposits are considered to be uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At December 31, 2018, DRCOG's deposits amounting to \$3,020,142 were insured by federal depository insurance or collateralized with securities held by third parties in DRCOG's name, and consequently were not exposed to custodial credit risk.

**Investments**

DRCOG's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturities of investments held at December 31, 2018, are provided in the schedule below and are tiered to mature at intervals within a five year maximum range.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investment Credit Risk**

This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Debt securities of the U.S. government and obligations of U.S. government agencies that are explicitly guaranteed by the U.S. government are not considered to have credit risk.

DRCOG's investment policy follows state statutes (C.R.S. 24-75-601 through 24-75-603) which limit its investment choices as follows:

- Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- General obligation and revenue bonds of US local government entities
- Certain certificates of participation
- Certain securities lending agreements
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

Presented below are the investments held by DRCOG and the actual ratings as of December 31, 2018 for each investment type.

Investments:	Rating <sup>(1)</sup>	Fair Value	Investment Portfolio
US Treasury Notes	Aaa	\$ 848,444	43%
Corporate Bonds	Aaa	\$ 150,000	8%
Corporate Bonds	A1	249,453	13%
Corporate Bonds	A2	497,190	25%
Corporate Bonds	A3	248,355	12%
Total Investments		<u>\$ 1,993,442</u>	

(1) Per Moody's

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**Interest Rate Risk**

Changes in market interest rates could adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market rates. The schedule below indicates the interest rate risk of DRCOG's investments at December 31, 2018.

Investment Type	Fair Value	Investment Maturities (In Years)	
		Less Than:	
		1	1-5
Corporate Bonds	\$ 1,144,998	\$ 1,144,998	\$ -
US Treasury Notes	848,444	848,444	-
	<u>\$ 1,993,442</u>	<u>\$ 1,993,442</u>	<u>\$ -</u>

One of the ways DRCOG manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of a loss attributed to the magnitude of an entity's investment in a single issuer. DRCOG places no limit on the amount it may invest in any one issuer. However, it is the intent of DRCOG to diversify the investment instruments within the portfolio to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. At year end, more than 5 percent of DRCOG's investments were held in US Bank Corporation (13%), Home Depot (13%), JPMorgan Chase (12%), United Health Group (12%), Exxon Mobil Corporation (7.5%).

**Fair Value**

DRCOG categorizes its fair value measurements within the fair value hierarchy established by GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted process; Level 3 inputs are significant unobservable inputs. As of December 31, 2018, DRCOG had the following investments valued using the hierarchy described above:

Investment Type	12/31/2018	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Corporate Bonds	\$ 1,144,998	\$ -	\$ 1,144,998	\$ -
US Treasury Notes	848,444	-	848,444	-
Total Investments by Fair Value Level	<u>1,993,442</u>	<u>\$ -</u>	<u>\$ 1,993,442</u>	<u>\$ -</u>
Certificates of Deposit (Amortized Cost)	677,949			
Total Investments	<u>\$ 2,671,391</u>			

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 3 CAPITAL ASSETS**

	Balance December 31, 2017	Additions	Dispositions	Balance December 31, 2018
<u>Governmental Activities</u>				
Depreciable Assets				
Furniture, Fixtures, and Equipment	\$ 154,066	\$ -	\$ 52,235	\$ 101,831
Vehicles	26,837	-	-	26,837
Electronic Equipment and Software	706,813	-	178,140	528,673
Total Capital Assets Being Depreciated	<u>887,716</u>	-	<u>230,375</u>	<u>657,341</u>
Less Accumulated Depreciation				
Furniture, Fixtures, and Equipment	79,768	10,164	50,896	39,036
Vehicles	26,837	-	-	26,837
Electronic Equipment and Software	615,703	23,812	153,252	486,263
Total Accumulated Depreciation	<u>722,308</u>	<u>33,976</u>	<u>204,148</u>	<u>552,136</u>
Governmental Activities Capital Assets, Net	<u>\$ 165,408</u>	<u>\$ (33,976)</u>	<u>\$ 26,227</u>	<u>\$ 105,205</u>

Depreciation expense was charged to functions/programs of DRCOG as follows:

Governmental Activities:	
Contract and Project Administration	<u>\$ 33,976</u>

**NOTE 4 LONG-TERM OBLIGATIONS**

Long-term obligation activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Additions	Dispositions	Ending Balance	Current Portion
<u>Governmental Activities</u>					
Compensated Absences	<u>\$ 699,767</u>	<u>\$ 705,598</u>	<u>\$ 645,788</u>	<u>\$ 759,577</u>	<u>\$ 485,853</u>

**NOTE 5 LEASE OBLIGATIONS**

**Operating Lease**

In 2007, DRCOG entered into an office lease agreement for a term of ten and one-quarter years commencing December 2007 through March 2018. In August, 2012, the lease was amended in order to decrease base lease payments through March 2018 by approximately 10 percent and extended the lease term to March 31, 2021. In 2018, DRCOG entered into a sub-lease agreement for the remainder of the term. The amount expended during the year ended December 31, 2018 as lease payments was \$770,859.

In 2018, DRCOG entered into an office lease agreement for a term of fifteen years commencing June 2018 through May 2033. The first eighteen months of lease payments

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 5 LEASE OBLIGATIONS (CONTINUED)**

have been abated pursuant to the terms of the agreement. During 2018, DRCOG made a \$77,709 payment for a security deposit.

The following is a schedule of estimated annual lease payments as of December 31, 2018:

Year Ending December 31,	Minimum Lease Payments
2019	\$ 843,554
2020	1,395,860
2021	793,958
2022	599,784
2023	612,659
2024 - 2028	3,256,429
2029 - 2033	3,142,695
Total Minimum Lease Payments	<u>\$ 10,644,939</u>

**NOTE 6 RETIREMENT PLAN**

DRCOG provides pension benefits for all of its full-time employees through a single employer defined contribution plan under Section 401 of the Internal Revenue Code. The plan was established by the Council and is maintained and administered by the International City/County Managers Association Retirement Corporation (ICMA-RC). Plan provisions and contribution requirements may be amended by the Council. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan, plus investment earnings. Employees are required to participate after completing six months of service. For 2018, DRCOG made a contribution of 9% of each participant's compensation up to the Social Security base wages and 5.7% for compensation over the Social Security base wages. Participants are required to contribute 3% of compensation.

Contributions for each employee and interest allocated to the employee's account are vested as follows:

Years of Vesting Service	Percentage
Less Than 3	0
3	30
4	40
5	60
6	80
7 or More	100

DRCOG's contribution for, and interest forfeited by, employees who leave employment before full vesting occurs are used to reduce DRCOG's current period contribution requirement. During 2018, DRCOG's required, which equaled actual, contributions and employee contributions to the Plan, were \$645,915 and \$319,969, respectively.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 7 PARTICIPATING MEMBER DUES**

Participating member dues in the amount of \$1,569,448 were received by DRCOG during the year ended December 31, 2018. The following represents the use of funds received:

Operations and Supported Projects	\$ 674,863
Matching Requirement for State-Assisted Projects	<u>894,585</u>
Total	<u><u>\$ 1,569,448</u></u>

**NOTE 8 COMMITMENTS AND CONTINGENCIES**

DRCOG administers numerous projects through grants awarded by various federal and state agencies. All projects are subject to audit by the granting agencies. A substantial amount of grant revenue has been awarded to sub-recipients. All grants are subject to final review and approval as to allowability by the respective grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although DRCOG expects such amounts, if any, to be immaterial.

**NOTE 9 RISK MANAGEMENT**

DRCOG 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. DRCOG maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**NOTE 10 STATE COMPLIANCE**

TABOR Amendment - In November 1992, Colorado voters passed the TABOR Amendment (Amendment 1) to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and other factors. Revenue received in excess of the limitations may be required to be refunded unless an electorate vote to retain the revenue is passed. The TABOR Amendment is subject to many interpretations, but the Council has a legal opinion that it is not a "local government" subject to TABOR in part because it has no authority to tax or to issue general obligation debt.



**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***

Finance and Budget Committee of the Board of Directors  
Denver Regional Council of Governments  
Denver, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Denver Regional Council of Governments, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Denver Regional Council of Governments' basic financial statements, and have issued our report thereon dated June 7, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Denver Regional Council of Governments' 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 Denver Regional Council of Governments' internal control. Accordingly, we do not express an opinion on the effectiveness of Denver Regional Council of Governments' 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness. 2018-001.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Denver Regional Council of Governments' 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 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2018-001.

### **Denver Regional Council of Governments' Response to Findings**

Denver Regional Council of Governments' response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Denver Regional Council of Governments' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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 result 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.



**CliftonLarsonAllen LLP**

Broomfield, Colorado  
June 7, 2019



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

Finance and Budget Committee of the Board of Directors  
Denver Regional Council of Governments  
Denver, Colorado

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

We have audited Denver Regional Council of Governments' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Denver Regional Council of Governments' major federal programs for the year ended December 31, 2018. Denver Regional Council of Governments' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

***Opinion on Each Major Federal Program***

In our opinion, the Denver Regional Council of Governments complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

**Report on Internal Control Over Compliance**

Management of Denver Regional Council of Governments is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Denver Regional Council of Governments' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing 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 Denver Regional Council of Governments' internal control over compliance.

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

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

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



**CliftonLarsonAllen LLP**

Broomfield, Colorado  
June 7, 2019

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2018**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures
<b>Department of Transportation</b>				
<b>Federal Highway Administration</b>				
<i>Colorado Department of Transportation</i>				
Highway Planning and Construction	20.205	None provided	\$ -	\$ 7,052,247
<b>Total Federal Highway Administration</b>			-	7,052,247
<b>Federal Transit Administration</b>				
<i>Regional Transportation District</i>				
Integrated Regional Model	20.507	None provided	-	101,705
<i>Total Regional Transportation District</i>			-	101,705
<i>Colorado Department of Transportation</i>				
State Planning and Research	20.515	None provided	-	1,417
<i>Total Colorado Department of Transportation</i>			-	1,417
<b>Total Federal Transit Administration</b>			-	103,122
<b>Total Department of Transportation</b>			-	7,155,369
<b>Department of Health and Human Services</b>				
Accountable Health Communities	93.650	None Provided	-	624,202
<i>Total Direct Department of Health and Human Services</i>			-	624,202
<i>Colorado Department of Human Services</i>				
<i>Special Program for the Aging</i>				
Title VII, Elder Abuse	93.041	See Note 3	-	2,535
Title VII, LTC Ombudsman	93.042	See Note 3	-	87,380
Title III, Part D	93.043	See Note 3	77,798	77,798
Title III, Admin	93.044	See Note 3	-	699,793
Title III, Part B	93.044	See Note 3	1,907,977	2,350,028
	93.044	Subtotal		3,049,821
Title III, Part C-1	93.045	See Note 3	1,400,578	1,400,578
Title III, Part C-2	93.045	See Note 3	1,751,724	1,751,724
	93.045	Subtotal		3,152,302
Nutrition Services Incentive Program	93.053	See Note 3	491,714	491,714
<i>Total Aging Cluster</i>			5,551,993	6,693,837
Title III, Part E	93.052	See Note 3	849,420	849,420
Older Adult Refugee Assistance	93.576	See Note 3	-	231,602
<i>Colorado Department of Regulatory Agencies</i>				
HHS Medicare Enrollment Assistance	93.071	None Provided	-	164,499
<i>Total Colorado Department of Regulatory Agencies</i>			-	164,499
<b>Total Department of Health and Human Services</b>			6,479,211	8,731,273
<b>Total Federal Financial Assistance</b>			<u>\$ 6,479,211</u>	<u>\$ 15,886,642</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards..

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2018**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Denver Regional Council of Governments (DRCOG) under programs of the federal government for the year ended December 31, 2018. In the accompanying schedule of expenditures of federal awards, award revenues and expenditures have been prepared in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Revenue from federal awards is recognized when DRCOG has done everything necessary to establish its right to revenue. For governmental funds, revenue from federal grants is recognized when it becomes both measureable and available. Expenditures of federal awards are recognized in the accounting period when the liability is incurred. DRCOG has elected to not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3 PASS-THROUGH ENTITY AND IDENTIFYING NUMBERS**

DRCOG had federal pass-through revenues and expenditures of \$6,479,211 during the year. The pass-through award numbers for the Aging programs were OAA No. 15AACOT3SS; 15AACOT3CM; 15AACOT3HD; 15AACOT3PH; 15AACOT3FC; 15AACOT7EA; 15AACOT7OM; and State Funding For Senior Services.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2018**

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**Section I – Summary of Auditors’ Results**

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***Financial Statements***

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified?   x   yes            no
  - Significant deficiency(ies) identified?            yes   x   none reported
3. Noncompliance material to financial statements noted?            yes   x   no

***Federal Awards***

1. Internal control over major federal programs:
- Material weakness(es) identified?            yes   x   no
  - Significant deficiency(ies) identified?            yes   x   none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?            yes   x   no

***Identification of Major Federal Programs***

**CFDA Number(s)**

93.044, 93.045, 93.053  
93.052

**Name of Federal Program or Cluster**

Aging Cluster  
National Family Caregiver Support - Title III, Part E

Dollar threshold used to distinguish between Type A and Type B programs:

\$   750,000  

Auditee qualified as low-risk auditee?

  x   yes            no

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINADINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2018**

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**Section II – Financial Statement Findings**

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**2018 – 001**

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

**Condition:** During audit procedures, it was noted account balances are not being reconciled on a periodic basis.

**Criteria:** Management should be reconciling financial information periodically in accordance with internal control policies and procedures.

**Context:**

- A. During work performed over accounts payable, it was noted that the balance from the accounts payable aged detail did not reconcile to the trial balance as of December 31, 2018. This was caused by two journal entries that should have been posted to fiscal year 2017 being included in the 2018 general ledger. This resulted in a net audit adjustment to accounts payable of \$662,880.
- B. During work performed over accounts receivable and grant revenue, it was noted that the revenue and receivable for expenses incurred under reimbursement basis grants had not been recognized as of December 31, 2018. This resulted in an audit adjustment of \$2,084,854 to revenue and receivables.
- C. During work performed over revenue, it was noted that revenue earned from administering the Guaranteed Ride Home program with RTD during 2018 was not recorded. This resulted in an audit adjustment of \$477,218 to revenue and receivables.
- D. During work performed over the Veterans Directed Care, it was noted revenue had not been reconciled to supporting schedules showing claims and expenses incurred. This resulted in an audit adjustment of \$301,002.
- E. During work performed over receivables, it was noted that there were old receivable balances on the balance sheet that needed to be cleaned out, and that some projects showed a receivable balance where there should've been no receivable. This resulted in audit adjustment of \$563,538 to revenue and unearned revenue, deferred inflow.

**Cause:** Account balances are not being reconciled on a periodic basis.

**Effect:** Material audit adjustments were proposed throughout the audit. Overall net impact on the financial statements were adjustments to assets totaling \$2,739,641, adjustments to liabilities and deferred inflows totaling \$1,267,415, adjustments to revenue totaling \$2,153,002 and adjustments to expenditures totaling \$680,776.

**Repeat Finding:** This is a repeat of a finding in the immediate prior year. Prior year finding number was 2017-001.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINADINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2018**

**Recommendation:** We recommend management implement procedures and controls to reconcile, at a minimum, balance sheet accounts for all projects on a regular basis.

**Views of responsible officials and planned corrective actions:**

- A. The agency is in agreement that the payable aged detail did not match to the trial balance as of December 31, 2018. In 2017 an invoice integration error occurred between our purchasing system, Concur Solutions, and our accounting software, Great Plains. DRCOG worked in conjunction with our contracted Great Plains consultant, RSM, and Microsoft to correct the error. DRCOG made the entries suggested by Microsoft to correct the error. It was determined during the audit that the correction recommended by Microsoft resulted in a duplicate entry in 2018.
- B. The agency is in agreement that outstanding revenue and receivables for reimbursement grants had not been recognized at year end. This has not been a practice of DRCOG in the past as the financial statements included a break out of requisitioned AR and unrequisioned AR at the end of the fiscal year to reflect receivables and uncollected revenue. Upon the recommendation of CliftonLarsonAllen, DRCOG has changed its policy to instead recognize both revenues and receivables prior to year end and no longer report on requisitioned and unrequisioned grants.
- C. The agency is in agreement that revenue from administering the Guaranteed Ride Home program was not recorded in 2018. DRCOG receives one lump sum payment each year from RTD for administering the program. RTD sends the payment along with detailed back up for the amount of the payment. Until DRCOG receives the revenue, it does not know what the amount of payment will be. This is a profit and loss project for DRCOG and is not grant funded. It has not been DRCOG's policy to record revenue for this program until it was received. Upon the recommendation of CliftonLarsonAllen, DRCOG will record an estimate of RTD revenue prior to year end if not yet received.
- D. The agency is in agreement that the Veterans Directed Care (VDC) program revenue had not been reconciled to supporting schedules. The VDC program is unlike any other program at DRCOG. It is a claims-based program that serves approximately 110 veterans. The complexity of the program is such that Great Plains cannot fully support the tracking of revenue or receivables in the detail necessary to financially manage the claims aspect of the program. DRCOG meticulously tracks the program outside of Great Plains down to veteran level detail and is able to reconcile to larger trial balance detail in Great Plains. DRCOG has tracked the VDC program this way since its inception. As the program has grown, the need for more robust tracking and reporting is necessary. DRCOG recognizes this and is implementing new accounting software that will better support the financial needs of the program.
- E. DRCOG agrees that old receivable balances on the balance sheet were sometimes incorrectly reflected. DRCOG became aware of issues with Great Plains in 2017. The issues seemed to have stemmed from a software upgrade in 2016. Many of the old balances were a product of entries not flowing properly through the accounting system which resulted in balances showing on old project years with an offsetting entry in the interfund account. DRCOG has since purchased new accounting software to better accommodate the accounting needs of the agency. DRCOG invested further resources by enlisting the help of CliftonLarsonAllen to assist with the clean up of accounts. DRCOG will continue to work with CliftonLarsonAllen to ensure the accounts remain clean through the transition of the new software and beyond.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINADINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2018**

**Summary:** In 2017 DRCOG became aware of accounting software issues with Great Plains which appeared to affect the way some entries were flowing through the accounting system after a 2016 software upgrade. DRCOG management alerted CliftonLarsonAllen to the known issues during the 2017 audit as the software irregularities made some account reconciliations extremely complex. Upon completion of the 2017 audit, DRCOG enlisted the help of consultants who determined a more robust accounting software package as well as a simplified general ledger structure was needed. Upon that recommendation, DRCOG made an investment of more than \$100,000 to purchase new accounting software and is currently in the process of implementing the software along with a new accounting general ledger structure. DRCOG also enlisted the help of CliftonLarsonAllen to clean up project accounts with residual balances. In the past year, DRCOG followed the recommendations of CliftonLarsonAllen regarding cash reconciliation, investment reporting, accounts payable accruals, and fixed asset corrections and adjustments. DRCOG is making the investment to fix the known issues with our accounting system so that regular reconciliation of all balance sheet accounts is attainable and effective going forward.

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**Section III – Findings and Questioned Costs – Major Federal Programs**

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Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

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**Section IV – Prior Year Findings**

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**FINDINGS – FINANCIAL STATEMENT AUDIT**

**2017-001 Internal Control of Financial Reporting**

**Condition:** During audit procedures, it was noted account balances are not being reconciled on a periodic basis.

**Status:** See current year finding 2018-001.

**Reason for finding's recurrence:** Reconciliations of accounts are not being conducted on a periodic basis.

**Corrective Action:** Action taken in response to prior year finding: Balance sheet accounts will be reconciled by accounting staff on a quarterly basis. The Director of Administration and Finance will review and sign off on all balance sheet reconciliations upon completion.

**FINDINGS— FEDERAL AWARD PROGRAMS AUDITS**

There were no federal award program audit findings in the prior year.