

**DENVER REGIONAL COUNCIL OF GOVERNMENTS**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2019**

# DENVER REGIONAL COUNCIL OF GOVERNMENTS

## Board of Officers

Bob Fifer, Chair, City of Arvada  
John Diak, Vice Chair, Town of Parker  
Ashley Stolzmann, Secretary, 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	Linda Montoya
Arapahoe County	Jeff Baker	Firestone	Drew Peterson
Boulder County	Elise Jones	Foxfield	Lisa Jones
Broomfield	William Lindset	Frederick	Laura Brown
Clear Creek County	Randy Wheelock	Georgetown	Lynette Kelsey
Denver	Nicholas Williams	Glendale	Rachel Binkley
	Kevin Flynn	Golden	Jim Dale
Douglas County	Roger Partridge	Greenwood Village	George Lantz
Gilpin County	Ron Engels	Idaho Springs	Mike Hillman
Jefferson County	Libby Szabo	Lafayette	Stephanie Walton
Arvada	Bob Fifer	Lakewood	Jacob Labure
Aurora	Mike Coffman	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	Adam Cushing	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	Randy Weil	Northglenn	Julie Duran-Mullica
Columbine Valley	Richard Champion	Parker	John Diak
Commerce City	Nicole Frank	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, 2019, 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, 2019, 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 results 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 15, 2020

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019**

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, 2019.

**Financial Highlights**

- The assets of DRCOG exceeded its liabilities at the close of 2019 by \$8,676,836. Of this total, \$8,593,579, or 99%, is unrestricted and may be used to meet DRCOG's obligations to the public and creditors.
- DRCOG's total net position increased \$1,315,006.
- The total cost of DRCOG's programs increased \$2,627,256 or 7.77%, compared to 2018.
- Total revenues increased \$3,742,310 or 11%, compared to 2018.
- The General Fund reported a fund balance of \$9,190,820 as of December 31, 2019, an increase of \$1,499,804. Of this amount, \$6,020,434, or 65.5% 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, 2019**

**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, 2019. DRCOG's assets exceeded liabilities and deferred inflows by \$8,676,836 at the close of 2019. Total net position increased by \$1,315,006 in 2019. The increase is comprised of the following:

- Total assets increased \$1,274,952 to \$13,171,628. This mainly included an increase in cash and investments of \$1,468,127.
- Total liabilities decreased \$40,054 to \$4,494,792.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019**

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

	Governmental Activities	
	2019	2018
<b>Assets</b>		
Current Assets	\$ 13,088,371	\$ 11,791,471
Capital Assets	83,257	105,205
Total Assets	<u>13,171,628</u>	<u>11,896,676</u>
<b>Liabilities</b>		
Current Liabilities	4,284,702	4,261,122
Long-Term Liabilities	210,090	273,724
Total Liabilities	<u>4,494,792</u>	<u>4,534,846</u>
<b>Net Position</b>		
Investment in Capital Assets	83,257	105,205
Unrestricted	8,593,579	7,256,625
Total Net Position	<u>\$ 8,676,836</u>	<u>\$ 7,361,830</u>

The largest portion of DRCOG's net position amounting to \$8,593,579 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 \$1,315,006 compared to an increase of \$199,952 during 2018.

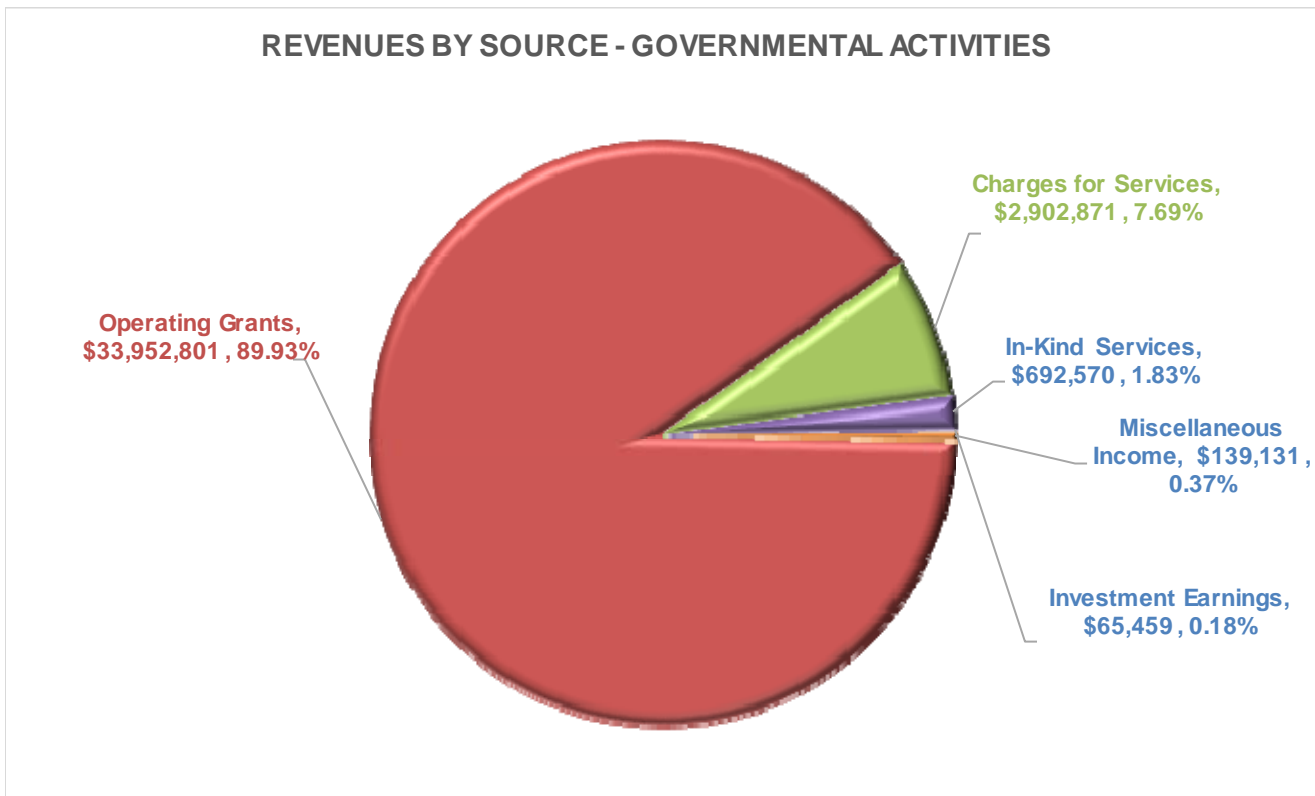
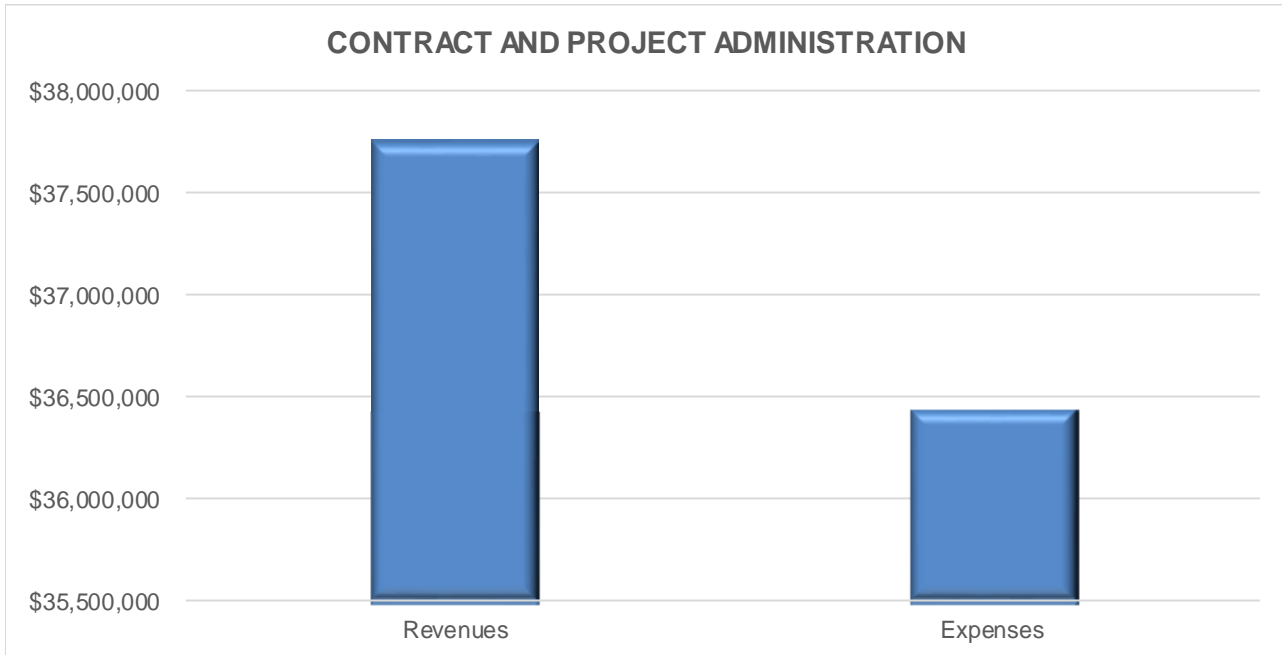
Governmental revenues increased \$3,742,310 or 11% compared to 2018. The increase was due primarily to increases in Operating Grants and Contributions. Governmental expenses increased \$2,627,256, or 7.77% from 2018. The increase was due primarily to increases in salaries and benefits related to federal 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	
	2019	2018
<b>Revenues</b>		
Program Revenues		
Charges for Services	\$ 2,902,871	\$ 2,714,079
Operating Grants and Contributions	33,952,801	30,616,995
General Revenues		
In-Kind Services	692,570	595,300
Net Investment Income	65,459	72,482
Miscellaneous Income	139,131	11,666
Total Revenues	<u>37,752,832</u>	<u>34,010,522</u>
Expenses		
Contract and Project Administration	<u>36,437,826</u>	<u>33,810,570</u>
Change in Net Position	1,315,006	199,952
Net Position - Beginning	7,361,830	7,161,878
Net Position - Ending	<u>\$ 8,676,836</u>	<u>\$ 7,361,830</u>

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019**

The following graph provides visual representations of the expenses and revenues for governmental activities for 2019.



**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019**

**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, 2019, the General Fund reported ending fund balances of \$9,190,820 an increase of \$1,499,804 compared to 2018 of \$7,691,016.

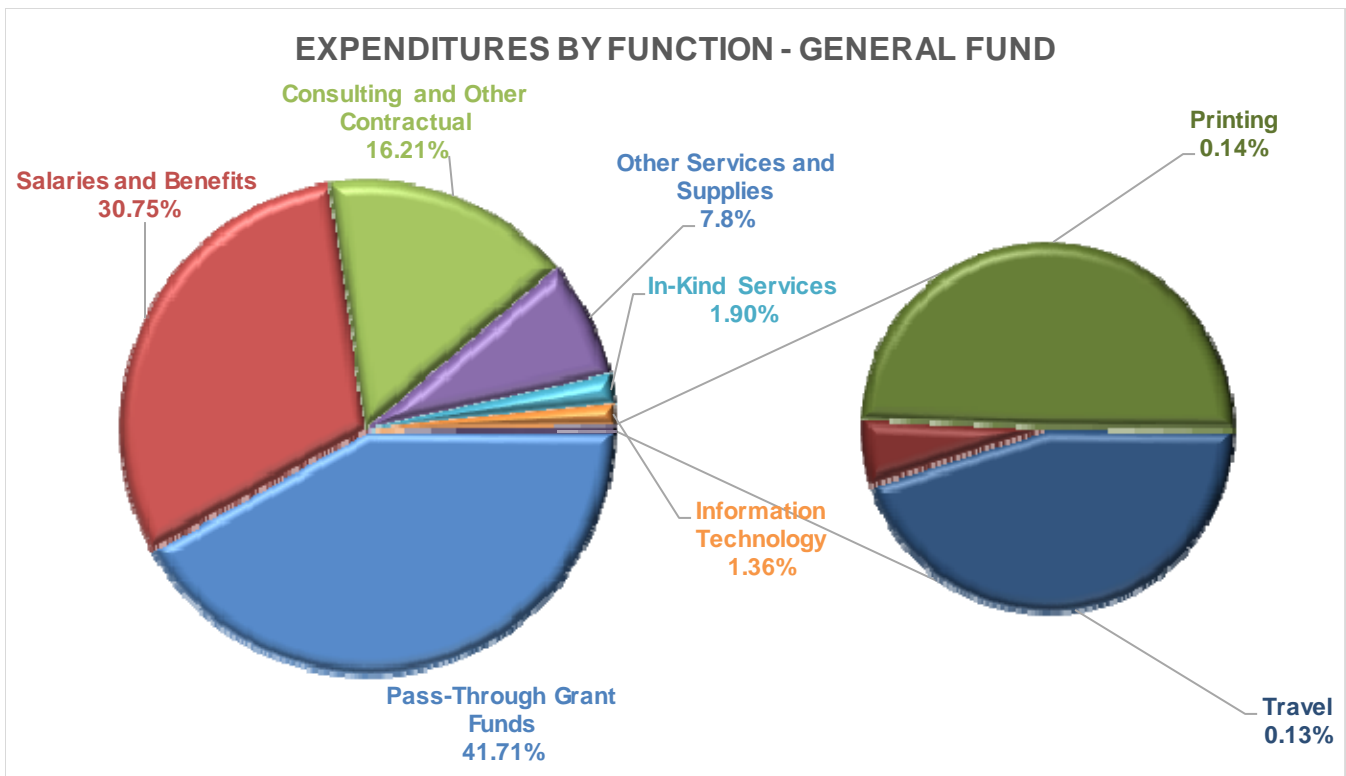
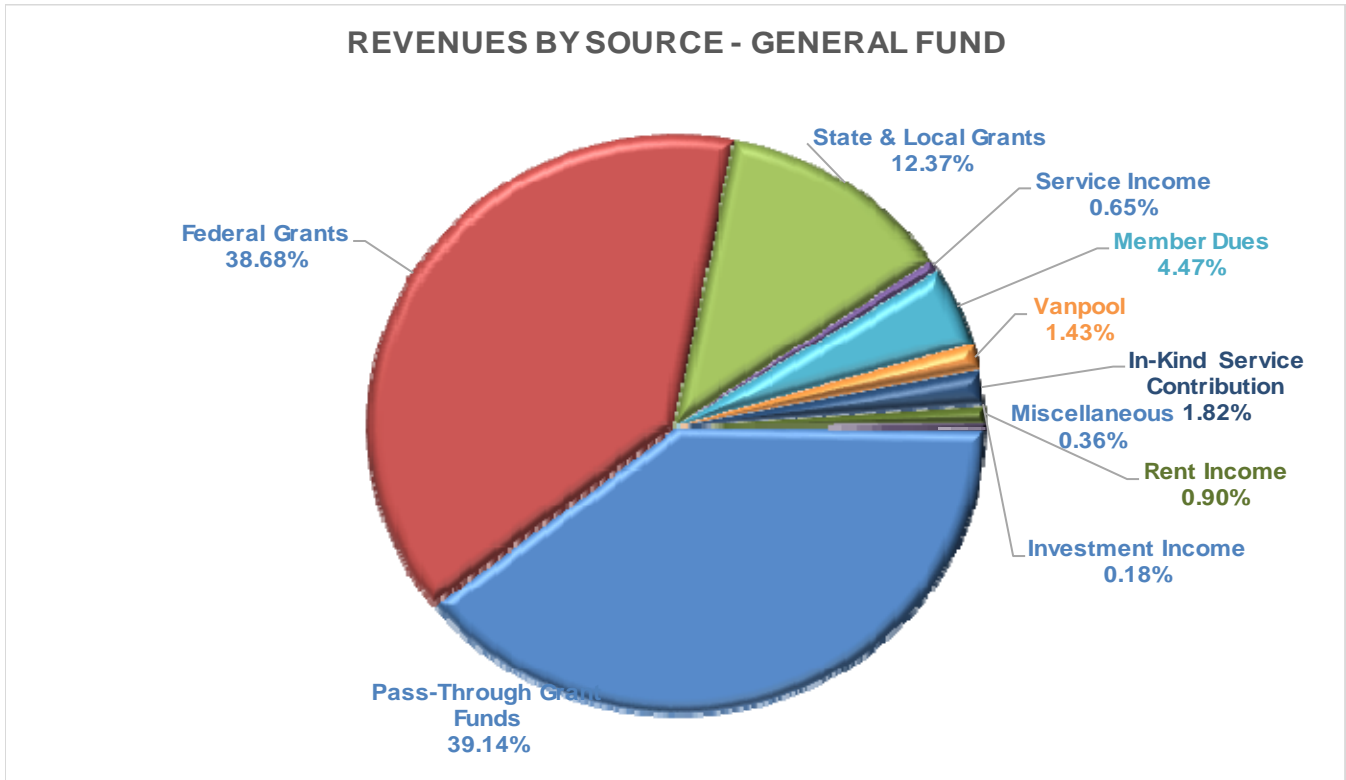
\$6,020,434 or 65.5%, constitutes *unassigned fund balance*, which is available for spending at DRCOG's discretion. Management and the Board of Directors have assigned \$3,079,198 as follows:

	<u>Balance 12/31/2018</u>	<u>Additions/ Deletions</u>	<u>Balance 12/31/2019</u>
Denver Regional Aerial Photography Program (DRAPP)	\$ 712,406	\$ 229,777	\$ 942,183
Vanpool	743,002	(144,301)	598,701
Way to Go	1,469,794	68,520	1,538,314
	<u>\$ 2,925,202</u>	<u>\$ 153,996</u>	<u>\$ 3,079,198</u>

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 25.2% of total General Fund expenditures compared to 23.8% in 2018.

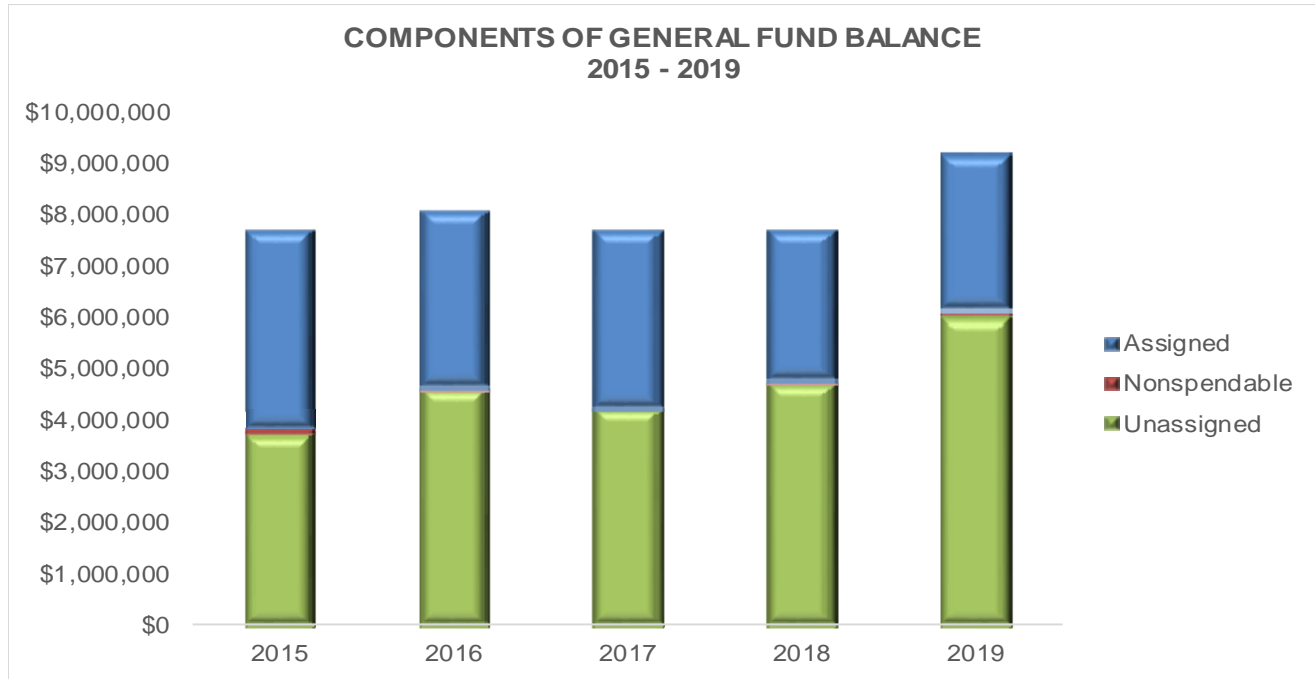
**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019**

The following graphs provide visual representations of the expenditures and revenues for the General Fund for 2019.



**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019**

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, 2019 amounts to \$83,257 (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 \$161,869 with an accumulated depreciation value of \$148,641.

	Governmental Activities	
	2019	2018
Electronic Equipment and Software	\$ 38,794	\$ 42,410
Furniture, Fixtures, Vehicles and Equipment	44,463	62,795
	<u>\$ 83,257</u>	<u>\$ 105,205</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, 2019**

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

Like 2018, Colorado and Metro Denver saw improvements in most economic indicators in 2019. 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 2019 was 2.5 percent as of December. This is a decrease from 3.6 percent in 2018. Colorado's unemployment rate remained below the national rate for the 15th consecutive year. Due to the COVID-19 pandemic the state's unemployment rate increased to 4.5 percent in the first quarter of 2020. Specific to DRCOG, COVID-19 may impact various parts of its 2020 operations. DRCOG is working closely with State of Colorado to determine the impact to state and federally funded grant contracts as a result of COVID-19. As of the report date DRCOG has been awarded additional COVID-19 related funding for the AAA program. Approximately \$1.6 million was awarded under the Family First Corona Virus Response Act, and approximately \$5.1 million was awarded under the CARES Act. 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, 2019**

**ASSETS**

Current Assets:	
Cash & Investments	\$ 6,949,428
Contracts Receivable	
Federal Grants	4,742,697
State Grants	1,264,573
Local Grants	16,150
Accounts Receivable	24,335
Prepaid Expense	91,188
Total Current Assets	13,088,371
Noncurrent Assets:	
Depreciable Assets	524,063
Accumulated Depreciation	(440,806)
Total Noncurrent Assets	83,257
Total Assets	\$ 13,171,628

**LIABILITIES AND NET POSITION**

**LIABILITIES**

Current Liabilities:	
Accounts Payable	\$ 3,348,702
Accrued Wages and Related Liabilities	360,610
Unearned Revenue	86,532
Compensated Absences	488,858
Total Current Liabilities	4,284,702
Non-Current Liabilities:	
Compensated Absences - Long-Term	210,090
Total Non-Current Liabilities	210,090
Total Liabilities	\$ 4,494,792

**NET POSITION**

Investment in Capital Assets	83,257
Unrestricted	8,593,579
Total Net Position	8,676,836
Total Liabilities and Net Position	\$ 13,171,628

See accompanying Notes to Financial Statements.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

		Program Revenues		Net (Expense)
	Expenses	Permits, Fees, and Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Position
Governmental Activities:				
Contract and Project Administration	\$ 36,437,826	\$ 2,902,871	\$ 33,952,801	\$ 417,846
Total Governmental Activities	\$ 36,437,826	\$ 2,902,871	\$ 33,952,801	417,846
<b>GENERAL REVENUES</b>				
In-Kind Services				692,570
Net Investment Income				65,459
Miscellaneous Income				139,131
Total General Revenues				897,160
<b>CHANGE IN NET POSITION</b>				1,315,006
Net Position - Beginning				7,361,830
<b>NET POSITION - END OF YEAR</b>				<b>\$ 8,676,836</b>

See accompanying Notes to Financial Statements.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
BALANCE SHEET  
GOVERNMENTAL FUND – GENERAL FUND  
DECEMBER 31, 2019**

**ASSETS**

Cash & Investments	6,949,428
Contracts Receivable	
Federal Grants	4,742,697
State Grants	1,264,573
Local Grants and Service Contracts	16,150
Accounts Receivable	24,335
Prepaid Items	<u>91,188</u>
 Total Assets	 <u><u>\$ 13,088,371</u></u>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES**

Accounts Payable	\$ 3,348,702
Accrued Wages and Related Liabilities	360,610
Unearned Revenue	<u>86,532</u>
Total Liabilities	<u><u>3,795,844</u></u>

**DEFERRED INFLOWS OF RESOURCES**

Unavailable Resources	<u>101,707</u>
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**FUND BALANCE**

Nonspendable	
Prepaid Items	91,188
Assigned	
Denver Regional Aerial Photography Program (DRAPP)	942,183
Vanpool	598,701
Way to Go	1,538,314
Unassigned	<u>6,020,434</u>
Total Fund Balance	<u><u>9,190,820</u></u>

Total Liabilities and Fund Balance	<u><u>\$ 13,088,371</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, 2019**

**Total Fund Balance - Governmental Fund** \$ 9,190,820

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 \$440,806 Accumulated Depreciation 83,257

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.

101,707

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, 2019 are:

Compensated Absences (698,948)

**Net Position - Governmental Activities** \$ 8,676,836

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND – GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**REVENUES**

Participating Member Dues	\$ 1,698,327
Federal Grants	14,690,170
State Grants	3,721,481
Local Grants	358,924
In-Kind Service Contribution	692,570
Vanpool	543,492
Denver Regional Aerial Photography Program (DRAPP)	616,362
Service Income:	
EcoPass	203,760
FIRE Program	14,000
Other	29,499
Investment Income	65,459
Rent Income	340,923
Miscellaneous Income	139,131
Pass-Through Grant Funds	<u>14,862,213</u>
 Total Revenues	 <u>37,976,311</u>

**EXPENDITURES**

Current	
Salaries and Benefits	11,215,086
Other Contractual Services	
Pass-Through Grant Funds	15,215,614
Consulting and Other Contractual	5,913,670
In-Kind Services	692,570
Travel	45,872
Printing Services	50,390
Information Technology Services	495,180
Other Services and Supplies	2,842,340
Capital Outlay	<u>5,785</u>
 Total Expenditures	 <u>36,476,507</u>

**NET CHANGE IN FUND BALANCES**

1,499,804

Fund Balance - Beginning of Year

7,691,016

**FUND BALANCES - END OF YEAR**

\$ 9,190,820

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, 2019**

**Net Change in Fund Balance - Governmental Fund** \$ 1,499,804

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 depreciation expense exceeded capital outlays in the current period. (8,720)

The net effect on the disposal of capital assets where historical costs exceeds accumulated depreciation. (13,228)

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. (223,479)

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 60,629

**Change in Net Position - Governmental Activities** \$ 1,315,006

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Participating Member Dues	\$ 1,724,800	\$ 1,698,327	\$ (26,473)
Federal Grants	17,934,614	14,690,170	(3,244,444)
State Grants	2,814,355	3,721,481	907,126
Local Grants	272,484	358,924	86,440
In-Kind Service Contribution	683,026	692,570	9,544
Vanpool	1,200,030	543,492	(656,538)
Denver Regional Aerial Photography Program (DRAPP)	319,303	616,362	297,059
Service Income:			
EcoPass	185,000	203,760	18,760
FIRE Program	-	14,000	14,000
Other	15,000	29,499	14,499
Investment Income	30,000	65,459	35,459
Rent Income	-	340,923	340,923
Miscellaneous Income	-	139,131	139,131
Pass-Through Grant Funds	14,128,425	14,862,213	733,788
Total Revenues	<u>39,307,037</u>	<u>37,976,311</u>	<u>(1,330,726)</u>
<b>EXPENDITURES</b>			
Current			
Salaries and Benefits	13,364,242	11,215,086	2,149,156
Other Contractual Services			
Pass-Through Grant Funds	14,128,425	15,215,614	(1,087,189)
Consulting and Other Contractual	7,674,098	5,913,670	1,760,428
In-Kind Services	1,033,489	692,570	340,919
Travel	178,291	45,872	132,419
Printing Services	68,323	50,390	17,933
Information Technology Services	185,182	495,180	(309,998)
Other Services and Supplies	2,285,882	2,842,340	(556,458)
Capital Outlay	30,000	5,785	24,215
Total Expenditures	<u>38,947,932</u>	<u>36,476,507</u>	<u>2,471,425</u>
<b>NET CHANGE IN FUND BALANCE</b>	359,105	1,499,804	1,140,699
Fund Balance - Beginning of Year	<u>7,310,630</u>	<u>7,691,016</u>	<u>380,386</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 7,669,735</u>	<u>\$ 9,190,820</u>	<u>\$ 1,521,085</u>

See accompanying Notes to Financial Statements.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**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, 2019**

**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, 2019.

**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, 2019**

**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, 2019.

**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, 2019**

**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, 2019**

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

Fund Balances (Continued)

DRCOG reports the following assigned fund balances:

	Balance 12/31/2018	Additions/ Deletions	Balance 12/31/2019
Denver Regional Aerial Photography Program (DRAPP)	\$ 712,406	\$ 229,777	\$ 942,183
Vanpool	743,002	(144,301)	598,701
Way to Go	1,469,794	68,520	1,538,314
	<b>\$ 2,925,202</b>	<b>\$ 153,996</b>	<b>\$ 3,079,198</b>

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, 2019, this percentage was 25.1 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, 2019**

**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, 2019 are reported as follows:

Cash	5,596,501
Investments	1,352,927
Total Cash and Investments	<u>\$ 6,949,428</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, 2019, DRCOG's deposits amounting to \$3,029,810 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, 2019, are provided in the schedule below and are tiered to mature at intervals within a five year maximum range.

Investment Type	Fair Value	Investment Maturities (In Years)	
		Less Than:	
		1	1-5
Certificates of Deposit	\$ 1,352,927	\$ 619,642	\$ 733,285
	<u>\$ 1,352,927</u>	<u>\$ 619,642</u>	<u>\$ 733,285</u>

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**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

**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, 2019

Investment Type	Fair Value	Investment Maturities (In Years)	
		Less Than:	
		1	1-5
Certificates of Deposit	\$ 1,352,927	\$ 619,642	\$ 733,285
	<u>\$ 1,352,927</u>	<u>\$ 619,642</u>	<u>\$ 733,285</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.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

**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, 2019, DRCOG had the following investments valued using the hierarchy described above.

Investment Type	12/31/2019	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Cetificates of Deposit	\$ 1,352,927	\$ -	\$ 1,352,927	\$ -
Total Investments by Fair Value Level	1,352,927	\$ -	\$ 1,352,927	\$ -

**NOTE 3 CAPITAL ASSETS**

	Balance December 31, 2018	Additions	Dispositions	Balance December 31, 2019
<u>Governmental Activities</u>				
Depreciable Assets				
Furniture, Fixtures, and Equipment	\$ 101,831	\$ 5,495	\$ 32,957	\$ 74,369
Vehicles	26,837	-	2,835	24,002
Electronic Equipment and Software	528,673	23,096	126,077	425,692
Total Capital Assets Being Depreciated	657,341	28,591	161,869	524,063
Less Accumulated Depreciation				
Furniture, Fixtures, and Equipment	39,036	10,599	19,729	29,906
Vehicles	26,837	-	2,835	24,002
Electronic Equipment and Software	486,263	26,712	126,077	386,898
Total Accumulated Depreciation	552,136	37,311	148,641	440,806
Governmental Activities Capital Assets, Net	\$ 105,205	\$ (8,720)	\$ 13,228	\$ 83,257

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

Contract and Project Administration	<u>\$ 37,311</u>
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**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**NOTE 4 LONG-TERM OBLIGATIONS**

Long-term obligation activity for the year ended December 31, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
<u>Governmental Activities</u>					
Compensated Absences	\$ 759,577	\$ 649,278	\$ 709,907	\$ 698,948	\$ 488,858

**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 sub-lease agreement began January 1, 2019 and extends through March 21, 2021. The amount expended during the year ended December 31, 2019 as lease payments was \$832,138.

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 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, 2019:

<u>Year Ending December 31,</u>	<u>Minimum Lease Payments</u>
2020	\$ 1,395,860
2021	793,958
2022	599,784
2023	612,659
2024	625,535
2025-2029	3,320,806
2030-2033	2,452,783
Total Minimum Lease Payments	<u>\$ 9,801,385</u>

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2019**

**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 2019, 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 2019, a total of \$136,117 were used to offset pension expense. During 2019, DRCOG's required, which equaled actual, contributions and employee contributions to the Plan, were \$571,668 and \$336,453, respectively.

**NOTE 7 PARTICIPATING MEMBER DUES**

Participating member dues in the amount of \$1,698,327 were received by DRCOG during the year ended December 31, 2019. The following represents the use of funds received:

Matching Requirement for State-Assisted Projects	968,046
Total	\$ 1,698,327

**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.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

**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.

**NOTE 11 SUBSEQUENT EVENTS**

Subsequent to year end, the World Health Organization declared the spread of the Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to DRCOG, COVID-19 may impact various parts of its 2020 operations. Management believes that DRCOG is taking appropriate actions to mitigate potential negative impact to the organization. DRCOG is working closely with State of Colorado to determine the impact to state and federally funded grant contracts as a result of COVID-19. As of the report date DRCOG has been awarded additional COVID-19 related funding for the AAA program. Approximately \$1.6 million was awarded under the Family First Coronavirus Response Act, and approximately \$5.1 million was awarded under the CARES Act.

Subsequent events have been evaluated through June 15, 2020, which is the date the financial statements were available to be issued.



**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, 2019, 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 15, 2020.

**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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency as item 2019-001.

### **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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Denver Regional Council of Governments' response to the findings identified in our audit is 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Broomfield, Colorado  
June 15, 2020



**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, 2019. 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, 2019.

**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 15, 2020

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2019**

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	\$ -	\$ 7,941,519
<b>Total Federal Highway Administration</b>			-	7,941,519
<b>Federal Transit Administration</b>				
<i>Regional Transportation District</i>				
Integrated Regional Model	20.507	None provided	-	89,828
<i>Total Regional Transportation District</i>			-	89,828
<i>Colorado Department of Transportation</i>				
State Planning and Research	20.515	None provided	-	5,504
<i>Total Colorado Department of Transportation</i>			-	5,504
<b>Total Federal Transit Administration</b>			-	95,332
<b>Total Department of Transportation</b>			-	8,036,851
<b>Department of Health and Human Services</b>				
Accountable Health Communities	93.650	None Provided	-	737,052
<i>Total Direct Department of Health and Human Services</i>			-	737,052
<i>Colorado Department of Human Services</i>				
<i>Special Program for the Aging</i>				
Title VII, Elder Abuse	93.041	See Note 3	-	19,222
Title VII, LTC Ombudsman	93.042	See Note 3	-	95,291
Title III, Part D	93.043	See Note 3	145,080	145,080
Title III, Admin	93.044	See Note 3	-	1,441,040
Title III, Part B	93.044	See Note 3	2,162,476	2,162,476
	93.044	Subtotal		3,603,516
Title III, Part C-1	93.045	See Note 3	1,038,773	1,038,773
Title III, Part C-2	93.045	See Note 3	1,907,402	1,907,402
	93.045	Subtotal		2,946,175
Nutrition Services Incentive Program	93.053	See Note 3	587,060	587,060
<i>Total Aging Cluster</i>			5,695,711	7,136,751
Title III, Part E	93.052	See Note 3	945,435	945,435
Older Adult Refugee Assistance	93.576	See Note 3	-	130,960
<i>Colorado Department of Regulatory Agencies</i>				
HHS Medicare Enrollment Assistance	93.071	None Provided	-	180,256
<i>Total Colorado Department of Regulatory Agencies</i>			-	180,256
<b>Total Department of Health and Human Services</b>			6,786,226	9,390,047
<b>Total Federal Financial Assistance</b>			<u>\$ 6,786,226</u>	<u>\$ 17,426,898</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, 2019**

**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, 2019. 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)*. Because the Schedule presents only a selected portion of the operations of DRCOG, it is not intended to and does not present the financial position, changes in net position, or cash flows of DRCOG.

**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. 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. 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 \$6,786,226 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 FINADINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2019**

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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? \_\_\_\_\_ yes \_\_\_\_\_ x \_\_\_\_\_ no
  - Significant deficiency(ies) identified? \_\_\_\_\_ x \_\_\_\_\_ yes \_\_\_\_\_ 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)**

20.205

**Name of Federal Program or Cluster**

Highway Planning and Construction

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

\$ 750,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes \_\_\_\_\_ x \_\_\_\_\_ no

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINADINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2019**

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**Section II – Financial Statement Findings**

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**2019-001**

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

**Condition:** During audit procedures, it was noted that account reconciliations did not capture all year end accruals for the fiscal year.

**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 a payment for 2020 services was included in the 2019 accounts payable balance. This resulted in a reduction of accounts payable and expenses of \$81,680.
- B. During work performed over accounts receivable and grant revenue, it was noted that the 2018 receivable accrual was not reversed at the start of 2019. This resulted in an audit adjustment of \$301,002 to revenue and receivables.
- C. During work performed over revenue, it was noted that a refund of an advanced grant payment improperly reduced revenue instead of reducing the unearned revenue liability balance on the balance sheet. This resulted in an audit adjustment of \$125,000 to unearned revenue and revenue.
- D. During work performed over the Veterans Directed Care, it was noted that DRCOG has received overpayments from the VA, and those overpayments were not recorded as a payable. This resulted in an audit adjustment of \$119,857 to accounts payable and revenue.
- E. During work performed over revenues and deferred inflows, it was noted that there were old deferred inflow balances on the balance sheet that needed to be cleaned out, and that one project had not collected outstanding receivables before the 90 day availability window before the fiscal year end. This resulted in net audit adjustment of \$223,479 to revenue, unearned revenue, and deferred inflows.

**Cause:** Year- end balance sheet reconciliations did not capture all of the year end accruals.

**Effect:** Audit adjustments were proposed throughout the audit. Overall net impact on the financial statements were adjustments to assets totaling \$301,002, adjustments to liabilities and deferred inflows totaling \$310,303, adjustments to revenue totaling \$106,610 and adjustments to expenditures totaling \$86,681.

**Repeat Finding:** This is a repeat of a finding in the immediate prior year. Prior year finding number was 2018-001.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2019**

**Recommendation:** We recommend management implement procedures and controls to enhance year-end balance sheet reconciliations to ensure that all fiscal year activity is captured.

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

- A. The agency is in agreement that a payment in the amount of \$81,680 was included in the 2019 accounts payable balance. This payment was for January 2020 rent. DRCOG makes a significant amount of entries at year end to accurately reflect DRCOG's financial position. Including this payment in 2019 was an oversight.
- B. The agency is in agreement that a 2018 receivable accrual was not reversed at the start of 2019 as it should have been. DRCOG makes a significant amount of accruals at year end for both revenue and expenses to accurately reflect DRCOG's financial position. Not reversing this particular accrual was an oversight. All other accruals were properly reversed.
- C. The agency is in agreement that a refund of an advanced grant payment in the amount of \$125,000 improperly reduced revenue instead of reducing unearned revenue liability. DRCOG agrees with the audit adjustment proposed by CLA to correct this.
- D. The agency is in agreement that overpayments from the VA should be recorded as a payable.
- E. The agency is in agreement that deferred revenue entries made as a part of the 2018 audit should have been cleaned out and a new entry be made for 2019 balances not collected in the 90-day window. Recording deferred revenue is a new practice for DRCOG as of the 2018 audit and will be monitored closely going forward.

**Summary** – DRCOG first hired CliftonLarsenAllen in 2018 for the 2017 Single Audit. Since that time DRCOG has followed all recommendations made by CLA and has incorporated multiple new practices into our daily financial operations and year end close as a result. DRCOG does perform regular reconciliations of balance sheet accounts and has made significant progress in keeping balance sheet accounts clean. In most cases, the items listed above are not due to DRCOG not having proper procedures or controls in place, but more due to human oversight and we are appreciative of CLA for discovering such oversights as a part of their review process so that we produce accurate financial statements.

In 2019, DRCOG invested more than \$100,000 on a new accounting software package that went live on May 1, 2020. This accounting package has enhanced reporting capabilities and will provide much greater visibility to account balances. As a part of the software implementation, DRCOG simplified our accounting structure which will also aid in keeping account balances clean and performing reconciliations. Finally, DRCOG is working with CLA on a yearend checklist that we believe will be helpful in ensuring all required closing entries are made prior to the annual audit. We believe the investment in technology and the continued partnership with CLA positions DRCOG well to have success in future audits.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2019**

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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**

**2018-001 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 2019-001.

**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: 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..

**FINDINGS— FEDERAL AWARD PROGRAMS AUDITS**

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

**DENVER REGIONAL COUNCIL OF GOVERNMENTS  
CORRECTIVE ACTION PLAN  
YEAR ENDED DECEMBER 31, 2019**

Colorado Department of Transportation

DRCOG respectfully submits the following corrective action plan for the year ended December 31, 2019.

Audit period: January 1, 2019 – December 31, 2019

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**FINDINGS—FINANCIAL STATEMENT AUDIT**

**SIGNIFICANT DEFICIENCY**

2019-001 Significant Deficiency in Internal Control over Financial Reporting

Recommendation: We recommend management implement procedures and controls to enhance year- end balance sheet reconciliations to ensure that all fiscal year activity is captured.

There is no disagreement with the audit finding.

In 2019, DRCOG invested more than \$100,000 on a new accounting software package that went live on May 1, 2020. This accounting package has enhanced reporting capabilities and will provide much greater visibility to account balances. As a part of the software implementation, DRCOG simplified our accounting structure which will also aid in keeping account balances clean and performing reconciliations. Finally, DRCOG is working with CLA on a yearend checklist that we believe will be helpful in ensuring all required closing entries are made prior to the annual audit. We believe the investment in technology and the continued partnership with CLA positions DRCOG well to have success in future audits.

Name of the contact person responsible for corrective action: Jenny Dock, Director of Finance and Administration.

Planned completion date for corrective action plan: July 31, 2020

If the Colorado Department of Transportation has questions regarding this plan, please call Jenny Dock at 303-480-6707.

