

DENVER REGIONAL COUNCIL OF GOVERNMENTS

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2022



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DENVER REGIONAL COUNCIL OF GOVERNMENTS

Board of Officers

Kevin Flynn, Chair, City of Denver
Steven Conklin, Vice-Chair, City of Edgewater
Wynne Shaw, Secretary, City of Lone Tree
Jeff Baker, Treasurer, Arapahoe County
Ashley Stolzmann, Immediate Past Chair, City of Louisville
Douglas W. Rex, Executive Director

Board of Directors

<u>Jurisdiction</u>	<u>Member</u>	<u>Jurisdiction</u>	<u>Member</u>
Adams County	Steve O'Doriso	Foxfield	Josie Cockrell
Arapahoe County	Jeff Baker	Frederick	Vacant
Arvada	Lisa Smith	Georgetown	Lynette Kelsey
Aurora	Alison Coombs	Gilpin County	Web Sill
Bennett	Vacant	Glendale	Rachel Binkley
Black Hawk	David Spellman	Golden	Paul Haseman
Boulder	Nicole Speer	Greenwood Village	George Lantz
Boulder County	Claire Levy	Idaho Springs	Chuck Harmon
Bow Mar	Margo Ramsden	Jefferson County	Tracy Kraft-Tharp
Brighton	Jan Pawlowski	Lafayette	Stephanie Walton
Broomfield	William Lindstedt	Lakewood	Jeslin Shahrezaei
Castle Pines	Deborah Mulvey	Larkspur	Vacant
Castle Rock	Jason Gray	Littleton	Stephen Barr
Centennial	Tammy Maurer	Lochbuie	Jamie Jeffery
Central City	Kara Tinucci	Lone Tree	Wynne Shaw
Cherry Hills Village	Randy Weil	Longmont	Joan Peck
Clear Creek County	Randy Wheelock	Louisville	Ashley Stolzmann
Columbine Valley	Roy Palmer	Lyons	Hollie Rogin
Commerce City	Craig Hurst	Mead	Colleen Whitlow
Dacono	Vacant	Morrison	Paul Sutton
Deer Trail	Vacant	Nederland	Kristopher Larsen
Denver	Kevin Flynn	Northglenn	Vacant
Douglas County	George Teal	Parker	John Diak
Edgewater	Steve Conklin	Sheridan	Sally Daigle
Empire	Vacant	Silver Plume	Vacant
Englewood	Othniel Sierra	Superior	Neal Shah
Erie	Ari Harrison	Thornton	Jessica Sandgren
Federal Heights	Linda Montoya	Westminster	Sarah Nurmela
Firestone	Don Conyac	Wheat Ridge	Bud Starker

Governor's Non-Voting Appointees

Sally Chafee, Colorado Dept. of Transportation
Rebecca White, Colorado Dept. of Transportation

Regional Transportation District Non-Voting Appointee

Bill Van Meter, Regional Transportation District

**DENVER REGIONAL COUNCIL OF GOVERNMENTS
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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 Audit of the Financial Statements

Opinions

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 June 30, 2022, and the related notes to the financial statements, which collectively comprise the Denver Regional Council of Governments's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Denver Regional Council of Governments, as of June 30, 2022, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Denver Regional Council of Governments and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Denver Regional Council of Governments's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Denver Regional Council of Governments's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Denver Regional Council of Governments's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

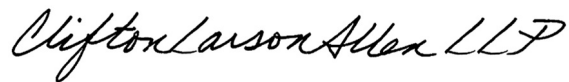
Management omitted the management's discussion and analysis that accounting principles generally accepted in the United State of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Denver Regional Council of Governments’s 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 are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. 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 October 14, 2022, on our consideration of the Denver Regional Council of Governments’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Denver Regional Council of Governments’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 the Denver Regional Council of Governments’s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Broomfield, Colorado
October 14, 2022

**DENVER REGIONAL COUNCIL OF GOVERNMENTS
STATEMENT OF NET POSITION
JUNE 30, 2022**

ASSETS

Current Assets:	
Cash and Investments	\$ 8,587,034
Contracts Receivable	
Federal Grants	7,179,829
State Grants	2,587,146
Local Grants	413,551
Accounts Receivable	233,175
Prepaid Expense	93,288
Total Current Assets	19,094,023
Noncurrent Assets:	
Depreciable Assets	6,480,196
Accumulated Depreciation	(1,004,073)
Total Noncurrent Assets	5,476,122
Total Assets	\$ 24,570,145

LIABILITIES AND NET POSITION

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 6,890,170
Accrued Wages and Related Liabilities	444,691
Unearned Revenue	4,793
Other Liabilities	301,423
Compensated Absences	673,602
Total Current Liabilities	8,314,679
Noncurrent Liabilities:	
Other Liabilities - Long-Term	5,293,144
Compensated Absences - Long-Term	181,487
Total Noncurrent Liabilities	5,474,631
Total Liabilities	13,789,310

NET POSITION

Net Investment in Capital Assets	(118,444)
Unrestricted	10,899,280
Total Net Position	10,780,836
Total Liabilities and Net Position	\$ 24,570,145

See accompanying Notes to Financial Statements.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

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	\$ 45,749,321	\$ 2,692,265	\$ 41,563,614	\$ (1,493,442)
Total Governmental Activities	\$ 45,749,321	\$ 2,692,265	\$ 41,563,614	(1,493,442)
GENERAL REVENUES				
In-Kind Services				503,493
Net Investment Income (Loss)				(203,279)
Miscellaneous Income				306,358
Total General Revenues				606,572
CHANGE IN NET POSITION				(886,870)
Net Position - Beginning of Year				11,667,706
NET POSITION - END OF YEAR				\$ 10,780,836

See accompanying Notes to Financial Statements.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS
BALANCE SHEET –
GOVERNMENTAL FUND – GENERAL FUND
JUNE 30, 2022**

ASSETS

Cash and Investments	\$ 8,587,034
Contracts Receivable	
Federal Grants	7,179,829
State Grants	2,587,146
Local Grants and Service Contracts	413,551
Accounts Receivable	233,175
Prepaid Items	<u>93,288</u>
 Total Assets	 <u><u>\$ 19,094,023</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 6,890,170
Accrued Wages and Related Liabilities	444,691
Unearned Revenue	<u>4,793</u>
 Total Liabilities	 <u>7,339,654</u>

FUND BALANCE

Nonspendable	
Prepaid Items	93,288
Assigned	
Denver Regional Aerial Photography Program (DRAPP)	1,227,116
Way to Go	1,713,617
Unassigned	<u>8,720,348</u>
Total Fund Balance	<u>11,754,369</u>
 Total Liabilities and Fund Balance	 <u><u>\$ 19,094,023</u></u>

See accompanying Notes to Financial Statements.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2022**

Total Fund Balance - Governmental Fund \$ 11,754,369

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 \$1,004,073 Accumulated Depreciation and Amortization 5,476,122

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 at June 30, 2022 are:

Lease Liability (5,594,567)

Compensated Absences (855,089)

Net Position - Governmental Activities \$ 10,780,836

**DENVER REGIONAL COUNCIL OF GOVERNMENTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND – GENERAL FUND -
YEAR ENDED JUNE 30, 2022**

REVENUES

Participating Member Dues	\$ 1,740,000
Federal Grants	14,853,923
State Grants	12,867,479
Local Grants	75,254
In-Kind Service Contribution	503,493
Vanpool	283,861
Denver Regional Aerial Photography Program (DRAPP)	883,657
Service Income:	
EcoPass	35,364
Other	30,620
Investment Income (Loss)	(203,279)
Rent Income	2,624
Miscellaneous Income	306,358
Pass-Through Grant Funds	13,483,097
Total Revenues	<u>44,862,451</u>

EXPENDITURES

Current	
Salaries and Benefits	12,691,997
Other Contractual Services	
Pass-Through Grant Funds	19,758,256
Consulting and Other Contractual	9,134,703
In-Kind Services	503,493
Travel	28,514
Printing Services	16,081
Information Technology Services	786,717
Other Services and Supplies	2,697,768
Total Expenditures	<u>45,617,529</u>

NET CHANGE IN FUND BALANCES (755,078)

Fund Balance - Beginning of Year 12,509,447

FUND BALANCES - END OF YEAR \$ 11,754,369

**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
YEAR ENDED JUNE 30, 2022**

Net Change in Fund Balance - Governmental Fund \$ (755,078)

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/amortization expense. This is the amount by which depreciation/amortization expense exceeded capital outlays in the current period. (508,501)

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.

Lease Principal Payments and Other Adjustments	361,566
Adjustment to Compensated Absences Liability	15,143
	376,709

Change in Net Position - Governmental Activities \$ (886,870)

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL –
GENERAL FUND
YEAR ENDED JUNE 30, 2022**

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Participating Member Dues	\$ 1,760,800	\$ 1,740,000	\$ (20,800)
Federal Grants	20,562,196	14,853,923	(5,708,273)
State Grants	6,544,866	12,867,479	6,322,613
Local Grants	120,759	75,254	(45,505)
In-Kind Service Contribution	1,104,393	503,493	(600,900)
Vanpool	838,685	283,861	(554,824)
Denver Regional Aerial Photography Program (DRAPP)	557,123	883,657	326,534
Service Income:			
EcoPass	-	35,364	35,364
Other	-	30,620	30,620
Investment Income	30,000	(203,279)	(233,279)
Rent Income	-	2,624	2,624
Miscellaneous Income	-	306,358	306,358
Pass-Through Grant Funds	20,583,186	13,483,097	(7,100,089)
Total Revenues	<u>52,102,008</u>	<u>44,862,451</u>	<u>(7,239,557)</u>
EXPENDITURES			
Current			
Salaries and Benefits	15,435,758	12,691,997	2,743,761
Other Contractual Services			
Pass-Through Grant Funds	20,583,186	19,758,256	824,930
Consulting and Other Contractual	11,361,047	9,134,703	2,226,344
In-Kind Services	1,060,331	503,493	556,838
Travel	31,522	28,514	3,008
Printing Services	1,376	16,081	(14,705)
Information Technology Services	402,627	786,717	(384,090)
Other Services and Supplies	3,216,160	2,697,768	518,392
Capital Outlay	10,000	-	10,000
Total Expenditures	<u>52,102,008</u>	<u>45,617,529</u>	<u>6,484,479</u>
NET CHANGE IN FUND BALANCE	-	(755,078)	(755,078)
Fund Balance - Beginning of Year	<u>10,902,989</u>	<u>12,509,447</u>	<u>1,606,458</u>
FUND BALANCE - END OF YEAR	<u>\$ 10,902,989</u>	<u>\$ 11,754,369</u>	<u>\$ 851,380</u>

See accompanying Notes to Financial Statements.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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
JUNE 30, 2022**

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 180 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 period-end. Fair values were based on quoted market rates as of June 30, 2022.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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 acquisition cost or estimated acquisition cost if purchased or constructed. Donated capital assets are recorded at acquisition value on 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 to 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 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
JUNE 30, 2022**

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 1 year to 20 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 nonspendable 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
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances (Continued)

DRCOG reports the following assigned fund balances:

	Balance 6/30/2021	Additions/ (Deletions)	Balance 6/30/2022
Denver Regional Aerial Photography Program (DRAPP)	\$ 1,393,407	\$ (166,291)	\$ 1,227,116
Way to Go	1,679,821	33,796	1,713,617
Total	<u>\$ 3,073,228</u>	<u>\$ (132,495)</u>	<u>\$ 2,940,733</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, or 25%. At June 30, 2022, the unassigned balance equaled 19.16% of total expenditures.

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 May of the previous year, an annual budget was adopted by formal resolution for the 2022 fiscal year. The budget is prepared on the same basis that is used for accounting purposes and is only used for the fiscal year ended 2022. In May of the current year, an annual budget was adopted by formal resolution for the 2023 fiscal year. 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.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Adoption of New Accounting Pronouncement

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, Leases. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. DRCOG's policy for lease asset capitalization is \$5,000 (per unit). The amortization is calculated using straight-line over the useful life of an asset which is the shorter of the lease term or the useful life of the underlying asset. The lease liability is calculated using future lease payments, discounted the interest rate the lessor charges the lessee. If the interest rate cannot be readily determined by the lessee, DRCOG uses the estimated incremental borrowing rate. DRCOG adopted the requirements of the guidance effective July 1, 2021.

NOTE 2 DEPOSITS AND INVESTMENTS

DRCOG is governed by the deposit and investment limitations of state law. Deposits and investments held at June 30, 2022 are reported as follows:

Cash	\$ 5,457,503
Cash Equivalents	27,471
Investments	3,102,060
Total Cash and Investments	<u>\$ 8,587,034</u>

**DENVER REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

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 June 30, 2022, DRCOG's deposits 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 June 30, 2022, are provided in the schedule below and are tiered to mature at intervals within a 10-year maximum range. However, DRCOG has multiple investments that have maturities greater than 10 years, as presented in the table on page 22.

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.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

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 June 30, 2022 for each investment type:

Issuer:	Moody Rating	Fair Value	Investment Portfolio
U.S. Treasury	Aaa	\$ 2,105,780	67%
Federal Home Loan Bank	Aaa	17,767	1%
Fannie Mae	Not Rated	555,398	18%
Mutual Funds	Not Rated	423,115	14%
Total Investments		\$ 3,102,060	

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 June 30, 2022:

Issuer:	Fair Value	Investment Maturities (In Years)			
		< 1	1-5	6-10	> 10
U.S. Treasury	\$ 2,105,780	\$ 525,234	\$ 1,383,581	\$ 144,075	\$ 52,890
Federal Home Loan Bank	17,767	-	-	17,767	-
Fannie Mae	555,398	28,728	-	5,714	520,956
Mutual Funds	423,115	423,115	-	-	-
	\$ 3,102,060	\$ 977,077	\$ 1,383,581	\$ 167,556	\$ 573,846

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.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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 June 30, 2022, DRCOG had the following investments valued using the hierarchy described above.

Investment Type	6/30/2022	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
U.S. Treasury	\$ 2,105,779	\$ -	\$ 2,105,779	\$ -
Federal Home Loan Bank	17,768	-	17,768	-
Fannie Mae	555,398	-	555,398	-
Mutual Funds	423,115	423,115	-	-
Total Investments by Fair Value Level	<u>\$ 3,102,060</u>	<u>\$ 423,115</u>	<u>\$ 2,678,945</u>	<u>\$ -</u>

**DENVER REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 CAPITAL ASSETS

	Balance July 1, 2021	Additions	Dispositions	Balance June 30, 2022
<u>Governmental Activities</u>				
Depreciable Assets				
Furniture, Fixtures, and Equipment	\$ 74,369	\$ -	\$ -	\$ 74,369
Vehicles	24,002	-	-	24,002
Electronic Equipment and Software	425,692	-	-	425,692
Total Capital Assets Being Depreciated	<u>524,063</u>	<u>-</u>	<u>-</u>	<u>524,063</u>
Lease Assets				
Buildings	5,956,133	-	-	5,956,133
Total Lease Assets Being Amortized	<u>5,956,133</u>	<u>-</u>	<u>-</u>	<u>5,956,133</u>
Less: Accumulated Depreciation and Amortization				
Furniture, Fixtures, and Equipment	45,878	7,986	-	53,864
Vehicles	24,002	-	-	24,002
Electronic Equipment and Software	425,692	-	-	425,692
Buildings Lease Assets	-	500,515	-	500,515
Total Accumulated Depreciation	<u>495,572</u>	<u>508,501</u>	<u>-</u>	<u>1,004,073</u>
Governmental Activities Capital Assets, Net	<u>\$ 5,984,624</u>	<u>\$ (508,501)</u>	<u>\$ -</u>	<u>\$ 5,476,122</u>

As a result of implementation of GASB Statement No. 87 (GASB 87), Leases, \$5,956,133 in lease assets for a building lease has been added to the beginning balance presented above in Note 3. As these lease assets are offset by an equal amount of lease liabilities, DRCOG does not report a restatement of beginning net position for the implementation of GASB 87.

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

Governmental Activities:	
Contract and Project Administration	<u>\$ 508,501</u>

NOTE 4 LONG-TERM OBLIGATIONS

Long-term obligation activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Additions	Dispositions	Ending Balance	Current Portion
<u>Governmental Activities</u>					
Building Lease	\$ 5,864,945	\$ -	\$ 270,378	\$ 5,594,567	\$ 301,423
Compensated Absences	870,232	67,102	82,245	855,089	673,602
	<u>\$ 6,735,177</u>	<u>\$ 67,102</u>	<u>\$ 352,623</u>	<u>\$ 6,449,656</u>	<u>\$ 975,025</u>

**DENVER REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

As a result of GASB 87, *Leases*, \$5,864,945 in lease liabilities for leases of buildings has been added to the beginning balance presented above. As these lease liabilities are offset by an equal amount of lease assets, DRCOG does not report a restatement of beginning net position for implementation of GASB 87.

Building Lease

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 \$91,188 payment for a security deposit which is shown as a prepaid item as of June 30, 2022.

DRCOG's rate of interest for this lease is 7.00% percent per annum.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022 are as follows:

Year Ending June 30,	Principal Payments	Interest Payments	Total Payments
2023	\$ 301,423	\$ 370,453	\$ 671,876
2024	334,832	349,919	684,751
2025	372,525	325,102	697,627
2026	411,883	298,619	710,502
2027	453,997	269,381	723,378
2028-2032	3,011,348	798,674	3,810,022
2033-2033	708,559	24,369	732,928
Total Payments	<u>\$ 5,594,567</u>	<u>\$ 2,436,517</u>	<u>\$ 8,031,084</u>

NOTE 5 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 2022, 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.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 5 RETIREMENT PLAN (CONTINUED)

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 2022, no funds were used to offset pension expense. During 2022, DRCOG's required, which equaled actual, contributions and employee contributions to the Plan, were \$794,773 and \$375,056, respectively.

NOTE 6 PARTICIPATING MEMBER DUES

Participating member dues in the amount of \$1,740,000 were received by DRCOG during the year ended June 30, 2022. The following represents the use of funds received:

Operations and Supported Projects	\$ 748,200
Matching Requirement for State-Assisted Projects	991,800
Total	\$ 1,740,000

NOTE 7 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 8 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.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 9 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 June 30, 2022, and the related notes to the financial statements, which collectively comprise the Denver Regional Council of Governments's basic financial statements, and have issued our report thereon dated October 14, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Denver Regional Council of Governments's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Denver Regional Council of Governments's internal control. Accordingly, we do not express an opinion on the effectiveness of the Denver Regional Council of Governments's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

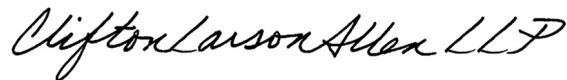
As part of obtaining reasonable assurance about whether Denver Regional Council of Governments’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 2022-001.

Denver Regional Council of Governments’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Denver Regional Council of Governments’s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Denver Regional Council of Governments’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
October 14, 2022



**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

Opinion on Each Major Federal Program

We have audited the Denver Regional Council of Governments's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Denver Regional Council of Governments's major federal programs for the year ended June 30, 2022. The Denver Regional Council of Governments's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Denver Regional Council of Governments complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Denver Regional Council of Governments and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Denver Regional Council of Governments's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Denver Regional Council of Governments's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Denver Regional Council of Governments's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Denver Regional Council of Governments's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Denver Regional Council of Governments's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Denver Regional Council of Governments's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Denver Regional Council of Governments's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



CliftonLarsonAllen LLP

Broomfield, Colorado
October 14, 2022

**DENVER REGIONAL COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal ALN	Pass-Through Entity Identifying Number	Passed- Through to Subrecipients	Expenditures
Department of Transportation				
Federal Highway Administration				
<i>Colorado Department of Transportation</i>				
Highway Planning and Construction	20.205	None provided	\$ -	\$ 7,088,430
Total Federal Highway Administration			-	7,088,430
Federal Transit Administration				
<i>Transit Services Programs Cluster</i>				
FTA Section 5310 Program	20.513	None provided	2,157,956	2,307,220
Total Transit Services Programs Cluster			2,157,956	2,307,220
<i>Colorado Department of Transportation</i>				
State Planning and Research	20.515	None provided	-	5,843
Total Colorado Department of Transportation			-	5,843
Total Federal Transit Administration			2,157,956	2,313,063
Total Department of Transportation			2,157,956	9,401,492
Department of Health and Human Services				
Accountable Health Communities	93.650		-	1034,784
Total Direct Department of Health and Human Services			-	1034,784
<i>Colorado Department of Human Services</i>				
<i>Special Program for the Aging</i>				
Title VII, Elder Abuse	93.041	See Note 3	-	17,248
Title VII, LTC Ombudsman	93.042	See Note 3	-	131,927
Title III, Part D	93.043	See Note 3	161,438	161,438
Total Special Program for the Aging			161,438	310,613
<i>Aging Cluster</i>				
Title III, Admin	93.044	See Note 3	-	493,444
Title III, Part B	93.044	See Note 3	1,985,103	1,985,103
Title III, Ombudsman Part III	93.044	See Note 3	-	705,081
COVID-19 - Title III, Colorado Vaccine Act	93.044	See Note 3	-	113,892
	93.044	Subtotal	1,985,103	3,297,521
Title III, Part C-1	93.045	See Note 3	1,112,540	1,112,540
Title III, Part C-2	93.045	See Note 3	3,269,068	3,269,068
Nymbl Science Funding	93.045	See Note 3	-	326,700
COVID-19 - Title III, Part C-2	93.045	See Note 3	-	1,355,844
	93.045	Subtotal	4,381,607	6,064,151
Nutrition Services Incentive Program	93.053	See Note 3	577,384	577,384
Total Aging Cluster			6,944,095	9,939,056
Title III, Part E	93.052	See Note 3	1,374,700	1,374,700
COVID-19 - Title III, Part E	93.052	See Note 3	71,753	71,753
	93.052	Subtotal	1,446,453	1,446,453
Older Adult Refugee Assistance	93.576	See Note 3	-	99,959
<i>Medicaid Cluster</i>				
ADRC Federal Financial Participation	93.778	None Provided	-	456,817
Total Medicaid Cluster			-	456,817
Total Colorado Department of Human Services			8,551,987	12,252,898
<i>Colorado Department of Regulatory Agencies</i>				
HHS Medicare Enrollment Assistance	93.071	None Provided	-	149,516
Total Colorado Department of Regulatory Agencies			-	149,516
Total Department of Health and Human Services			8,551,987	13,437,198
Total Federal Financial Assistance			\$ 10,709,943	\$ 22,838,691

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022**

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 June 30, 2022. 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 measurable 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 \$8,551,987 during the year. The pass-through award numbers for the Aging programs were OAA No. 2101COOASS-01; 2101COOACM-01; 2101COOAH-01; 2101COOAPH-01; and 2101COOAF-01.

**DENVER REGIONAL COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

Section I – Summary of Auditors’ Results

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

ALN(s)	Name of Federal Program or Cluster
20.513, 20.516, 20.521 93.044, 93.045, 93.053	Transit Services Programs Cluster Aging Cluster

- 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 FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section II – Financial Statement Findings

2022-001

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

Condition: During audit procedures, it was noted that multiple District members were not billed for their dues pertaining to the final quarter of the fiscal year.

Criteria: Management should be reviewing and reconciling member dues revenues at the end of every fiscal year in accordance with internal control policies and procedures.

Context: During work performed over member dues revenues. It was noted that multiple members were not billed for their dues pertaining to the final quarter of the fiscal year. This resulted in an audit adjustment of \$220,675 to member due revenues and corresponding accounts receivable.

Cause: The change in fiscal year-end caused confusion amongst the members for timing of payments. Additionally, internal staff turnover caused these payments to be overlooked.

Effect: Audit adjustments were proposed throughout the audit. Overall net impact on the financial statements were adjustments to assets, fund balance, and revenues.

Repeat Finding: This is not a repeat finding for the current year.

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

Views of Responsible Officials and Planned Corrective Actions: Management is in agreement with this finding and the resulting adjustment. Miscommunications with members have been resolved and all further revenues will be reconciled at year-end.

Section III – Findings and Questioned Costs – Major Federal Programs

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

**DENVER REGIONAL COUNCIL OF GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section IV – Prior Year Findings

FINDINGS – FINANCIAL STATEMENT AUDIT

There were no financial statement audit findings in the prior year.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

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



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