

DENVER REGIONAL COUNCIL OF GOVERNMENTS

FINANCIAL STATEMENTS

DECEMBER 31, 2015

DENVER REGIONAL COUNCIL OF GOVERNMENTS

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DENVER REGIONAL COUNCIL OF GOVERNMENTS

Board of Officers

Jackie Millet – Chair
Elise Jones – Vice Chair
Bob Roth – Secretary
Herb Atchison – Treasurer
Jennifer Schaufele – Executive Director

Board of Directors

Adams County	Eva Henry	Federal Heights	Daniel Dick
Arapahoe County	Bill Holen	Firestone	George Heath
Boulder County	Elise Jones	Foxfield	Lisa Jones
Broomfield City & County	David Beacom	Frederick	Laura Brown
Clear Creek County	Tim Mauck	Georgetown	Henry Ehrgott
Denver City & County	Robin Kniech	Glendale	Paula Bovo
	Crissy Fanganello	Golden	Saoirse Charis-Graves
Douglas County	Roger Partridge	Greenwood Village	Ron Rakowsky
Gilpin County	Gail Watson	Idaho Springs	Mike Hillman
Jefferson County	Don Rosier	Lafayette	Brad Wiesley
Arvada	Bob Fifer	Lakewood	Shakti
Aurora	Bob Roth	Larkspur	Gerry Been
Bennett	Jim Pieters	Littleton	Phil Cernanec
Black Hawk	David Spellman	Lone Tree	Jackie Millet
Boulder	Suzanne Jones	Longmont	Joan Peck
Bow Mar	Anne Justen	Louisville	Ashley Stolzmann
Brighton	Lynn Baca	Lyons	John O'Brien
Castle Rock	George Teal	Mead	Colleen Whitlow
Centennial	Cathy Noon	Morrison	Debora Jerome
Central City	Ron Engels	Nederland	Kristopher Larsen
Cherry Hills Village	Laura Christman	Northglenn	Kyle Mullica
Columbine Valley	Gale Christy	Parker	John Diak
Commerce City	(Vacant)	Sheridan	Sally Daigle
Dacono	Debbie Nasta	Silver Plume	(Vacant)
Deer Trail	(Vacant)	Superior	Rita Dozal
Edgewater	Todd Riddle	Thornton	Adam Matkowsky
Empire	(Vacant)	Westminster	Herb Atchison
Englewood	Joe Jefferson	Wheat Ridge	Joyce Jay
Erie	Dan Woog		

Governor's Non-voting Appointees to the DRCOG Board

Debra Perkins-Smith, Colorado Department of Transportation

Gary Sanford, Denver Metro Homeless Initiative

Regional Transportation District Non-Voting

Bill Van Meter, Regional Transportation District

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

Administrative 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, 2015, and the related notes to the financial statements, which collectively comprise the 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.

Auditor's 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 *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 the Denver Regional Council of Governments, as of December 31, 2015, and the respective changes in financial position and the budgetary comparison for 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 4-12 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 Governments' basic financial statements. The schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 March 31, 2016 on our consideration of the 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 to describe the scope

of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Denver Regional Council of Governments' internal control over financial reporting and compliance.

Plutt Rogers & Company PC

March 31, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

DENVER REGIONAL COUNCIL OF GOVERNMENTS

Management's Discussion and Analysis As of and for the Year Ended December 31, 2015

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, 2015.

Financial Highlights

- The assets of DRCOG exceeded its liabilities at the close of 2015 by \$7,416,235. Of this total, \$7,047,660, or 95%, is unrestricted and may be used to meet DRCOG's obligations to the public and creditors.
- DRCOG's total net position decreased \$257,768.
- The total cost of DRCOG's programs decreased \$684,609 or 2.2%, compared to 2014.
- Total revenues decreased \$693,963 or 2.2%, compared to 2014.
- The General Fund reported a fund balance of \$7,679,606 as of December 31, 2015, a decrease of \$360,080. Of this amount, \$7,597,380, or 98.9% is either assigned or 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.

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 Single Audit Act of 1984 (as amended in 1986).

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, 2015. DRCOG’s assets exceeded liabilities by \$7,416,235 at the close of 2015. Total net position decreased by \$257,768 in 2015. The decrease is comprised of the following:

- Total assets decreased \$727,979 to \$10,847,948. This mainly included a decrease in cash and investments of \$174,546, a decrease in receivables of \$460,508 and a decrease in net depreciable assets of \$40,301 caused by the amount by which depreciation of \$145,855 exceeded capital outlays of \$105,554.
- Total liabilities decreased \$470,211 to \$3,431,713 due to a decrease in accounts payable, accrued wages and related liabilities and deferred revenue of \$182,784, \$71,084, and \$73,730, respectively. The liability for capital leases payable decreased by \$155,754. The liability for compensated absences increased \$13,141.

Table 1
Denver Regional Council of Governments
Summary of Net Position

	Governmental Activities	
	2015	2014
Assets		
Current assets	\$10,479,373	\$11,167,051
Capital assets	368,575	408,876
Total assets	<u>10,847,948</u>	<u>11,575,927</u>
Liabilities		
Current liabilities	3,168,775	3,624,663
Long-term liabilities	262,938	277,261
Total liabilities	<u>3,431,713</u>	<u>3,901,924</u>
Net Position		
Net Investment in capital assets	368,575	408,876
Unrestricted	7,047,660	7,265,127
Total net position	<u>\$ 7,416,235</u>	<u>\$ 7,674,003</u>

The largest portion of DRCOG’s net position amounting to \$7,047,660 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 decreased \$257,768 compared to a decrease of \$195,850 during 2014.

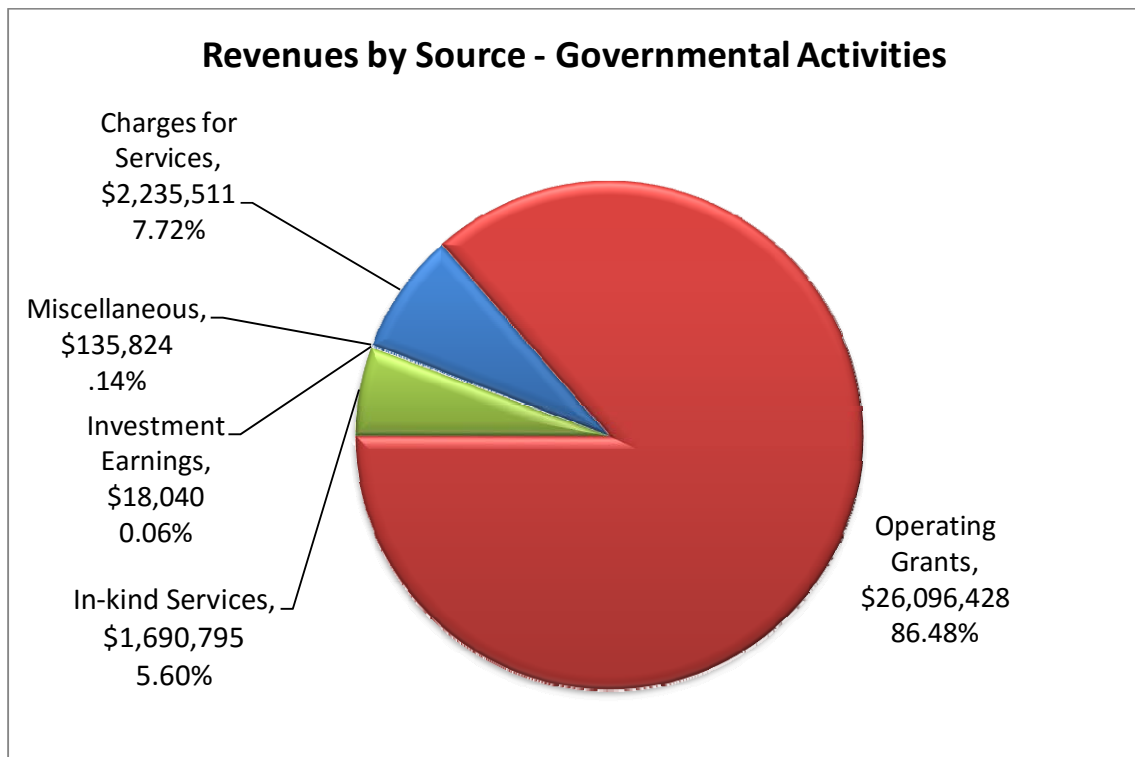
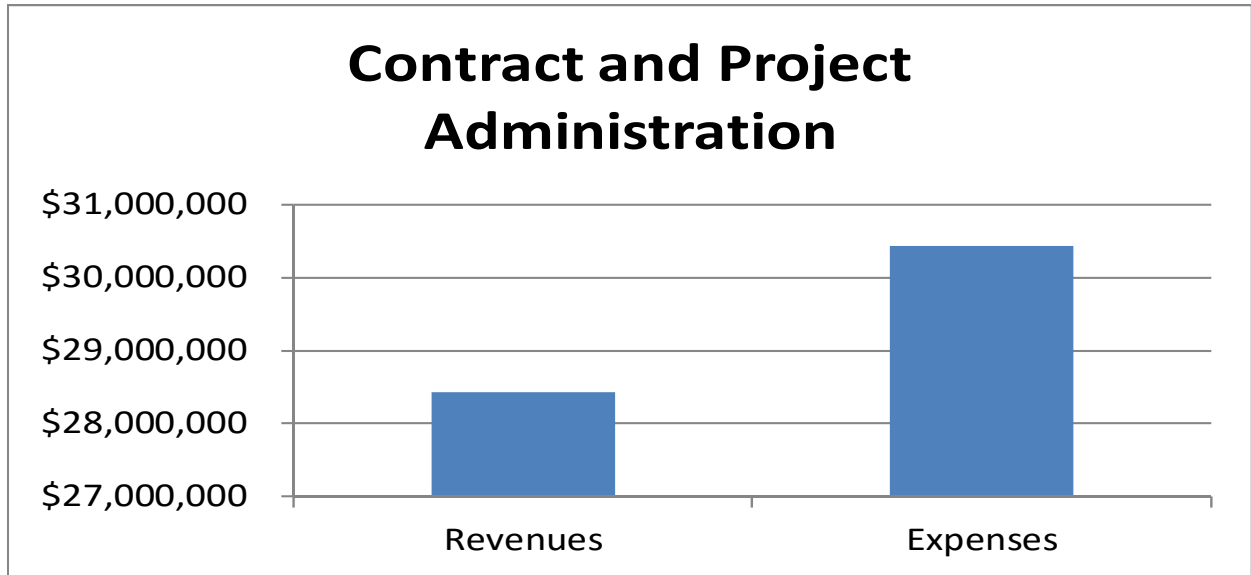
Governmental revenues decreased \$693,963 or 2.2% compared to 2014. The decrease was due primarily to decreases in federal grants, pass-through grants and in-kind services related to federal grants.

Governmental expenses decreased \$632,045, or 2.0% from 2014. The decrease was due primarily to decreases in federal grants, pass-through grants, in-kind services related to federal grants and consulting and other contractual expenses.

Table 2
Denver Regional Council of Governments
Summary of Changes in Net Position
For Years as Stated

	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Revenues		
Program revenues		
Permits, fees, and charges for services	\$ 2,328,725	\$ 2,430,163
Operating grants and contributions	26,096,428	24,776,721
General Revenues		
In-kind Services	1,690,795	3,607,171
Net Investment Income	18,040	32,686
Miscellaneous Income	42,610	23,820
Total revenues	<u>30,176,598</u>	<u>30,870,561</u>
Expenses		
Contract and Project Administration	<u>30,434,366</u>	<u>31,066,411</u>
Change in net position	(257,768)	(195,850)
Net Position - Beginning	<u>7,674,003</u>	<u>7,869,853</u>
Net Position - Ending	<u>\$ 7,416,235</u>	<u>\$ 7,674,003</u>

The following graph provides visual representations of the expenses and revenues for governmental activities for 2015.



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, *unreserved 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, 2015, the General Fund reported ending fund balances of \$7,679,606, a decrease of \$360,080 compared to 2014.

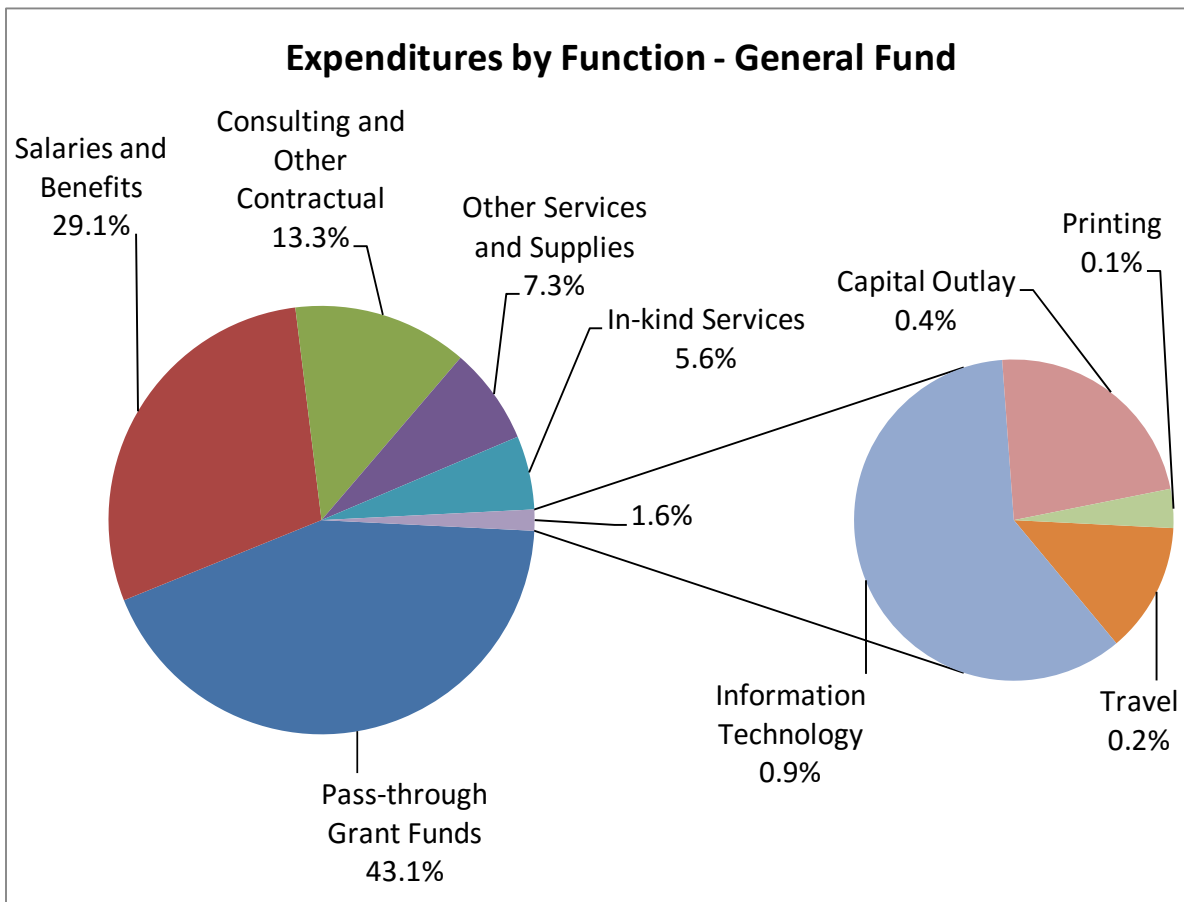
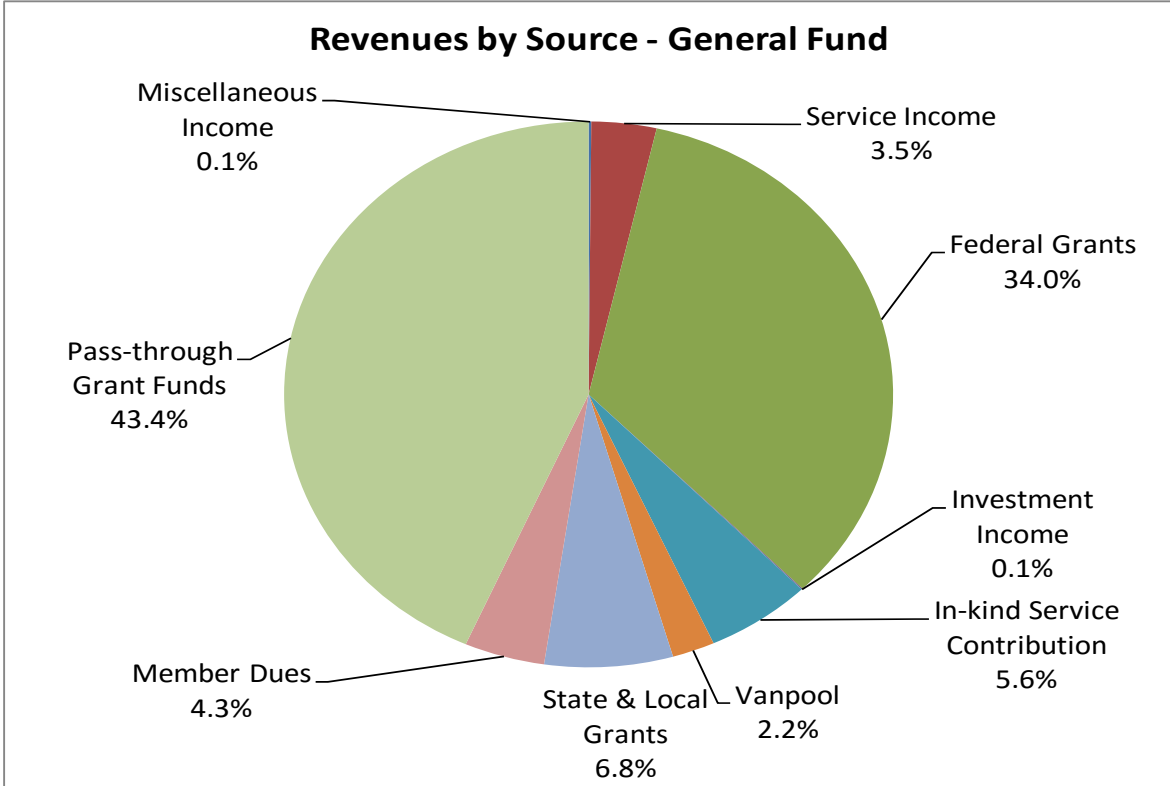
\$7,597,380 or 98.9%, constitutes *assigned* and *unassigned fund balance*, which is available for spending at DRCOG's discretion. Of that balance, Management and the Board of Directors have assigned \$3,867,493 as follows:

	Balance 12/31/14	Additions/ Deletions	Balance 12/31/15
Denver Regional Aerial Photography Program (DRAPP)	\$ 664,538	\$ (97,264)	\$ 567,274
FIRE Program	9,544	(2,657)	6,887
Vanpool	2,206,544	(485,793)	1,720,751
Way to Go	919,837	5,541	925,378
Subsequent Year's Expenditures	665,608	(18,405)	647,203
	\$4,466,071	\$ (598,578)	\$3,867,493

The above amount, "Subsequent Year's Expenditures," represents the amount of existing reserves approved to be used in the subsequent budget year.

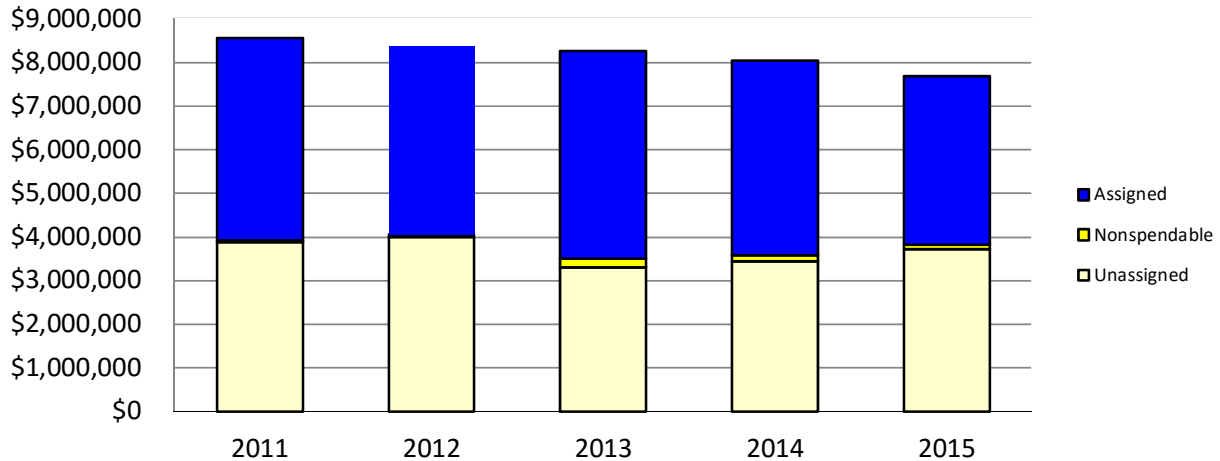
As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Fund balance represents 25.1% of total General Fund expenditures compared to 25.9% in 2014.

The following graphs provide visual representations of the expenditures and revenues for the General Fund for 2015.



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.

Components of General Fund Balance 2011 - 2015



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, 2015 amounts to \$368,575 (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 the purchase of equipment of \$105,554 and depreciation expense of \$145,855.

Capital Assets at Year-end (Net of Depreciation)

	Governmental Activities	
	2015	2014
Electronic Equipment and Software	\$ 271,419	\$ 360,144
Furniture, Fixtures and Equipment	97,156	48,732
	\$ 368,575	\$ 408,876

Additional information on capital assets can be found in the notes to the financial statements (Note 4).

Economic Factors and Next Year's Budgets and Rates

As projected, the Colorado and Metro Denver economy saw improvement in most areas in 2015. Metro Denver's employment growth in 2015 was higher than the national average and is expected to maintain growth at about the same rate in 2016. In 2015, the region added more than 45,000 jobs. Colorado's unemployment rate remains near historic lows, with Metro Denver's unemployment at the lowest it has been since 2001. Unemployment is expected to hold steady in 2016. Personal income growth is expected to rise in Colorado at rate of 5.3%. DRCOG's employment average remains just under 100 employees. With continued growth in the AAA and the expansion into in fee for service ventures, 2016 could be the year when employment eclipses the 100 employee benchmark. The Indirect Rate will decrease in October.

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, 1290 Broadway, Suite 100, Denver, Colorado 80203-5606.

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BASIC FINANCIAL STATEMENTS

DENVER REGIONAL COUNCIL OF GOVERNMENTS

STATEMENT OF NET POSITION

December 31, 2015

Assets	
Current Assets	
Cash & Cash Equivalents	\$ 1,566,258
Investments	3,810,862
Contracts Receivable	
Requisitioned	
Local Grants	237,403
State Grants	680,599
Federal Grants	2,451,793
Unrequisitioned	
Local Grants	62,265
State Grants	804,981
Federal Grants	488,230
Accounts Receivable	294,756
Prepaid Expense	82,226
Total Current Assets	10,479,373
Noncurrent Assets	
Depreciable Assets	1,381,287
Accumulated Depreciation	(1,012,712)
Total Noncurrent Assets	368,575
Total Assets	10,847,948
Liabilities	
Current Liabilities	
Accounts Payable	2,475,082
Accrued Wages and Related Liabilities	309,685
Unearned Revenue	15,000
Compensated Absences	369,008
Total Current Liabilities	3,168,775
Noncurrent Liabilities	
Compensated Absences - Long-term	262,938
Total Noncurrent Liabilities	262,938
Total Liabilities	3,431,713
Net Position	
Net Investment in Capital Assets	368,575
Unrestricted	7,047,660
Total Net Position	\$ 7,416,235

The notes to the financial statements are an integral part of this statement.

DENVER REGIONAL COUNCIL OF GOVERNMENTS

**STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015**

<u>Function/Program Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenues and Changes in Net Position</u>
		<u>Permits, Fees, and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Total Governmental Activities</u>
Governmental Activities				
Contract and Project Administration	\$ 30,434,366	\$ 2,328,725	\$ 26,096,428	\$ (2,009,213)
Total Governmental Activities	<u>\$ 30,434,366</u>	<u>\$ 2,328,725</u>	<u>\$ 26,096,428</u>	<u>(2,009,213)</u>
		General Revenues		
				1,690,795
				18,040
				<u>42,610</u>
			Total General Revenues	<u>1,751,445</u>
			Change in Net Position	(257,768)
			Net Position - Beginning	<u>7,674,003</u>
			Net Position - Ending	<u>\$ 7,416,235</u>

The notes to the financial statements are an integral part of this statement.

DENVER REGIONAL COUNCIL OF GOVERNMENTS

**BALANCE SHEET
GOVERNMENTAL FUND - GENERAL FUND**

December 31, 2015

Assets	
Cash & Cash Equivalents	\$ 1,566,258
Investments	3,810,862
Contracts Receivable	
Requisitioned	
Local Grants	237,403
State Grants	680,599
Federal Grants	2,451,793
Unrequisitioned	
Local Grants	62,265
State Grants	804,981
Federal Grants	488,230
Accounts Receivable	294,756
Prepaid Expense	82,226
Total Assets	\$ 10,479,373
Liabilities	
Accounts Payable	\$ 2,475,082
Accrued Wages and Related Liabilities	186,626
Other Liabilities	123,059
Unearned Revenue	15,000
Total Liabilities	2,799,767
Fund Balance	
Nonspendable	
Prepaid Expense	82,226
Assigned	
Denver Regional Aerial Photography Program (DRAPP)	567,274
FIRE Program	6,887
Vanpool	1,720,751
Way to Go	925,378
Subsequent Year's Expenditures	647,203
Unassigned	3,729,887
Total Fund Balance	7,679,606
Total Liabilities and Fund Balance	\$ 10,479,373

The notes to the financial statements are an integral part of this statement.

DENVER REGIONAL COUNCIL OF GOVERNMENTS

**RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
December 31, 2015**

Total Fund Balance - Governmental Fund \$ 7,679,606

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 \$1,012,712 accumulated depreciation 368,575

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 December 31, 2015 are:

Compensated Absences (631,946)

Net Position - Governmental Activities \$ 7,416,235

DENVER REGIONAL COUNCIL OF GOVERNMENTS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUND - GENERAL FUND

For the Year Ended December 31, 2015

Revenues

Participating Member Dues	\$ 1,287,400
Federal Grants	10,263,609
State Grants	1,884,990
Local Grants	174,134
In-kind Service Contribution	1,690,795
Vanpool	680,436
Denver Regional Aerial Photography Program (DRAPP)	623,333
Service Income:	
EcoPass	332,854
FIRE Program	58,615
Other	26,523
Investment Income	18,040
Miscellaneous Income	42,610
Pass-through Grant Funds	13,093,259
Total Revenues	30,176,598

Expenditures

Current	
Salaries and Benefits	8,853,231
Other Contractual Services	
Pass-through Grant Funds	13,093,259
Consulting and Other Contractual	4,033,549
In-kind Services	1,690,795
Travel	63,127
Printing Services	18,880
Information Technology Services	288,591
Other Services and Supplies	2,226,510
Capital Outlay	110,942
Debt Service	157,794
Total Expenditures	30,536,678
Net Change in Fund Balance	(360,080)
Fund Balance - Beginning of Year	8,039,686
Fund Balance - End of Year	\$ 7,679,606

The notes to the financial statements are an integral part of this statement.

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, 2015**

Net Change in Fund Balance - Governmental Fund \$ (360,080)

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 (\$145,855) exceeded capital outlays (\$105,554) in the current period. (40,301)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Payments on Capital Lease 155,754

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 (13,141)

Change In Net Position - Governmental Activities \$ (257,768)

The notes to the financial statements are an integral part of this statement.

DENVER REGIONAL COUNCIL OF GOVERNMENTS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended December 31, 2015

(With Comparative Totals for the Year Ended December 31, 2014)

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual
Revenues				
Participating Member Dues	\$ 1,287,400	\$ 1,287,400	\$ -	\$ 1,287,400
Federal Grants	12,755,717	10,263,609	(2,492,108)	10,906,279
State Grants	1,682,721	1,884,990	202,269	1,428,990
Local Grants	1,793,634	174,134	(1,619,500)	247,085
In-kind Service Contribution	697,914	1,690,795	992,881	3,607,171
Vanpool	-	680,436	680,436	700,000
Denver Regional Aerial Photography Program (DRAPP)	-	623,333	623,333	752,847
Service Income:				
Guaranteed Ride Home	374,295	332,854	(41,441)	342,911
FIRE Program	16,000	58,615	42,615	42,635
Other	6,949	26,523	19,574	4,370
Investment Income	30,000	18,040	(11,960)	32,686
Miscellaneous Income	-	42,610	42,610	23,160
Regional Response Revenue	-	-	-	9,600
Proceeds from Sale of Assets	-	-	-	660
Pass-through Grant Funds	12,038,523	13,093,259	1,054,736	11,484,767
Total Revenues	30,683,153	30,176,598	(506,555)	30,870,561
Expenditures				
Current				
Salaries and Benefits	10,118,511	8,853,231	1,265,280	8,215,871
Other Contractual Services				
Pass-through Grant Funds	12,038,523	13,093,259	(1,054,736)	11,484,767
Consulting and Other Contractual	4,949,519	4,033,549	915,970	5,070,712
In-kind Services	697,914	1,690,795	(992,881)	3,607,171
Travel	-	63,127	(63,127)	66,315
Printing Services	-	18,880	(18,880)	41,341
Information Technology Services	-	288,591	(288,591)	138,460
Other Services and Supplies	3,184,660	2,226,510	958,150	2,237,897
Capital Outlay	201,840	110,942	90,898	63,463
Debt Service	157,794	157,794	-	157,794
Total Expenditures	31,348,761	30,536,678	812,083	31,083,791
Net Change in Fund Balance	(665,608)	(360,080)	305,528	(213,230)
Fund Balance - Beginning of Year	6,903,908	8,039,686	1,135,778	8,252,916
Fund Balance - End of Year	\$ 6,238,300	\$ 7,679,606	\$ 1,441,306	\$ 8,039,686

The notes to the financial statements are an integral part of this statement.

DENVER REGIONAL COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

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 56 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 47 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

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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 60 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. 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, 2015.

DENVER REGIONAL COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

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. A portion of fund balance of the general fund is classified as non-spendable for prepaid items in the amount of \$82,226.

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 \$500. 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.

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

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 Equity

Net Position

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

Net 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:

Non-spendable - 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.

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NOTES TO THE FINANCIAL STATEMENTS

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DRCOG reports the following assigned fund balances:

Denver Regional Aerial Photography Program (DRAPP)	\$ 567,274
FIRE Program	6,887
Vanpool	1,720,751
Way to Go	<u>925,378</u>
	<u>\$3,220,290</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 Administrative Committee of the Board of Directors has adopted a financial standard maintaining a fund balance equal to three months' expenditures. Based on prior year expenses and contractual obligations, that amount would total approximately \$8,000,00 to \$10,000,000. At December 31, 2015, this percentage was 21.4 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 Administrative Committee of the Board of Directors throughout the year. There were no budget amendments during the year.

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

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.

Indirect Costs

DRCOG allocates indirect costs to assisted projects in accordance with the Office of Management and Budget (OMB) Circular A-87. 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, 2015 are reported at fair value as follows:

Demand Deposits	\$ 1,566,258
Time Deposits	2,114,520
Investments	<u>1,696,342</u>
Total Cash and Investments	<u>\$ 5,377,120</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

DENVER REGIONAL COUNCIL OF GOVERNMENTS

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December 31, 2015

collateral pools. At December 31, 2015, DRCOG's deposits amounting to \$4,292,281 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, 2015, are provided in the previous schedule and are tiered to mature at intervals within a five year maximum range.

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

DENVER REGIONAL COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

Presented below are the investments held by DRCOG and the actual ratings as of December 31, 2015 for each investment type.

Investments:	Rating (1)	Fair Value	Investment Portfolio
United States Treasury Note	N/A	\$ 150,211	8.9%
Federal Home Loan Bank Bonds (FHLB)	AAA	74,535	4.4%
Federal National Mortgage Association (FNMA)	AAA	223,709	13.1%
Govt National Mortgage Association (GNMA)	AAA	56	0.1%
Corporate Bonds	AAA	521,512	30.7%
Corporate Bonds	AA	726,319	42.8%
Total Investments		<u>\$ 1,696,342</u>	<u>100.0%</u>

(1) Per Moody's

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, 2015.

Investment Type	Fair Value	Investment Maturities (In Years)	
		Less Than:	
		1	1-5
United States Treasury Note	\$ 150,211	\$ 150,211	\$ -
Federal Home Loan Bank Bonds	74,535	-	74,535
Federal National Mortgage Association	223,709	104,489	119,220
Govt National Mortgage Association	56	56	-
Corporate Bonds	1,247,831	75,554	1,172,277
	<u>\$ 1,696,342</u>	<u>\$ 330,310</u>	<u>\$ 1,366,032</u>

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

Concentration of credit risk

Concentration of credit risk is the risk of a loss attributed to the magnitude of an entity's investment in a single issuer. DRCOG places no limit on the amount it may invest in any one issuer. However, it is the intent of DRCOG to diversify the investment instruments within the portfolio to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. At year end, more than 5 percent of DRCOG's investments were held in the Federal National Mortgage Association (13.1%), Johnson & Johnson (13.0%), Apple, Inc. (11.8%), Westpac Banking Corp.

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NOTES TO THE FINANCIAL STATEMENTS

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(11.7%), Microsoft Corp. (8.9%), IBM Corp. (8.9%), U.S. Treasury Notes (8.9%), Exxon Mobil (8.8%), Royal Bank of Canada (5.9%).

NOTE 3: CONTRACTS RECEIVABLE

Contracts receivable – requisitioned balances consist of the following at December 31, 2015:

Requisitioned Contracts Receivable:	
Local Government:	
Regional Transportation District	\$ 212,203
Other	25,200
Total Local Government	<u>237,403</u>
State Government:	
Colorado Department of Human Services	1,030,744
Colorado Department of Transportation	2,098,104
Total State Government	<u>3,128,848</u>
Federal Government:	
Federal Transit Administration (FTA)	3,544
Total Requisitioned Contracts Receivable	<u>\$3,369,795</u>

Contracts receivable – un-requisitioned balances consist of the following at December 31, 2015:

Unrequisitioned Contracts Receivable:	
Local Government:	
Other	\$ 62,265
State Government:	
Colorado Department of Human Services	1,293,133
Colorado Department of Transportation	78
Total State Government	<u>1,293,211</u>
Total Unrequisitioned Contracts Receivable	<u>\$1,355,476</u>

DENVER REGIONAL COUNCIL OF GOVERNMENTS

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 4: CAPITAL ASSETS

	Balance December 31, 2014	Additions	Dispositions	Balance December 31, 2015
<u>Governmental Activities</u>				
Depreciable Assets				
Furniture, Fixtures and Equipment	\$ 158,391	\$ 61,368	\$ 837	\$ 218,922
Vehicles	132,417	-	-	132,417
Electronic Equipment and Software	1,006,619	44,186	20,857	1,029,948
Total Capital Assets Being Depreciated	<u>1,297,427</u>	<u>105,554</u>	<u>21,694</u>	<u>1,381,287</u>
Less Accumulated Depreciation:				
Furniture, Fixtures and Equipment	109,659	12,944	837	121,766
Vehicles	132,417	-	-	132,417
Electronic Equipment and Software	646,475	132,911	20,857	758,529
Total Accumulated Depreciation	<u>888,551</u>	<u>145,855</u>	<u>21,694</u>	<u>1,012,712</u>
Governmental Activities Capital Assets, Net	<u>\$ 408,876</u>	<u>\$ (40,301)</u>	<u>\$ -</u>	<u>\$ 368,575</u>

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

Governmental activities:	
Contract and project administration	<u>\$ 145,855</u>

NOTE 5: LONG-TERM OBLIGATIONS

Long-term obligation activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Net Change	Ending Balance	Current Portion
Governmental Activities:				
Compensated Absences	<u>\$ 618,805</u>	<u>\$ 13,141</u>	<u>\$ 631,946</u>	<u>\$ 369,008</u>

NOTE 6: LEASE OBLIGATIONS

Capital Lease

On June 28, 2013, DRCOG entered into a lease agreement for computer equipment valued at \$467,248, including current and future maintenance costs of \$157,872 for a total lease obligation of \$625,120. Lease payments are due in annual installments beginning at lease inception through June, 2015, with interest at 2%. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date. During the year ended December 31, 2015, DRCOG paid the lease in full.

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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% and extended the lease term to March 31, 2021. The amount expended during the year ended December 31, 2015 as lease payments was \$697,597. The following is a schedule of estimated annual lease payments as of December 31, 2015:

<u>Year Ending December 31,</u>	<u>Minimum Lease Payments</u>
2016	\$ 719,895
2017	745,378
2018	770,861
2019	796,344
2020	821,827
2021	207,049
Total minimum lease payments	<u>\$4,061,354</u>

NOTE 7: 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 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 2015, 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.

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

<u>Years of Vesting Service</u>	<u>Percentage</u>
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 2015, DRCOG's required, which equaled actual, contributions and employee contributions to the Plan, were \$480,278 and \$157,077, respectively.

NOTE 8: PARTICIPATING MEMBER DUES

Participating member dues in the amount of \$1,287,400 were received by DRCOG during the year ended December 31, 2015. The following represents the use of funds received:

Operations and supported projects	\$ 545,434
Matching requirement for state-assisted projects	<u>741,966</u>
Total	<u>\$ 1,287,400</u>

NOTE 9: 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 10: 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.

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NOTES TO THE FINANCIAL STATEMENTS

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NOTE 11: *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.

SUPPLEMENTAL INFORMATION

DENVER REGIONAL COUNCIL OF GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Beginning Balance Accrued (Deferred)	Total Receipts	Total Expenditures	Ending Balance Accrued (Deferred)
U.S. Dept. of Housing & Urban Development:					
OSHC	14.703	\$ 2,479,294	\$ 3,324,429	\$ 845,135	\$ -
Total Dept. of Housing & Urban Development		<u>2,479,294</u>	<u>3,324,429</u>	<u>845,135</u>	<u>-</u>
Federal Highway Administration:					
Colorado Department of Transportation:					
Highway Planning and Construction	20.205	334,741	1,280,578	1,404,103	458,266
Highway Planning and Construction	20.205	14,301	123,082	135,169	26,388
Highway Planning and Construction	20.205	80	369,854	615,486	245,712
Highway Planning and Construction	20.205	321,907	2,073,486	2,350,750	599,171
Highway Planning and Construction	20.205	296,415	1,949,413	2,236,121	583,123
Highway Planning and Construction	20.205	41,486	61,567	20,081	-
Highway Planning and Construction	20.205	175,652	1,377,457	1,385,923	184,118
Highway Planning and Construction	20.205	197,748	709,290	511,542	-
Total Federal Highway Administration		<u>1,382,330</u>	<u>7,944,727</u>	<u>8,659,175</u>	<u>2,096,778</u>
Federal Transit Administration:					
Regional Transportation District:					
Integrated Regional Model	20.507	-	-	-	-
	20.507	-	-	3,544	3,544
Total Regional Transportation District		<u>-</u>	<u>-</u>	<u>3,544</u>	<u>3,544</u>
Colorado Department of Transportation:					
State Planning and Research	20.515	1,129	7,267	7,542	1,404
State Planning and Research	20.515	-	91,392	91,392	-
Total Colorado Department of Transportation		<u>1,129</u>	<u>98,659</u>	<u>98,934</u>	<u>1,404</u>
Total Federal Transit Administration		<u>1,129</u>	<u>98,659</u>	<u>102,478</u>	<u>4,948</u>
Department of Health and Human Services:					
Colorado Department of Human Services:					
Special Program for the Aging					
Title III, Admin.	93.044	19,145	571,908	575,794	23,031
Title III, Part B	93.044	6,200	27,462	24,683	3,421
Title III, Part B	93.044	102,371	566,561	589,251	125,061
Title III, Part B	93.044	164,299	1,103,800	1,037,578	98,077
Title III, Part C-1	93.045	244,998	1,178,480	1,158,744	225,262
Title III, Part C-2	93.045	185,187	1,876,670	1,862,182	170,699
Title III, Part D	93.043	12,981	108,233	108,183	12,931
Title III-Part E	93.052	131,071	769,804	763,127	124,394
Title VII, Elder Abuse	93.041	7,227	15,664	14,914	6,477
Title VII, LTC Ombudsman	93.042	26,150	81,202	74,141	19,089
Nutrition Services Incentive Program	93.053	-	689,849	689,849	-
HHS Medicare Enrollment Assistance	93.071	-	97,511	121,889	24,378
Older Adult Refugee Assistance	93.576	12,609	63,112	55,980	5,477
Total Department of Health and Human Services		<u>912,238</u>	<u>7,150,256</u>	<u>7,076,315</u>	<u>838,297</u>
Total Federal Financial Assistance		<u>\$ 4,774,991</u>	<u>\$ 18,518,071</u>	<u>\$ 16,683,103</u>	<u>\$ 2,940,023</u>

DENVER REGIONAL COUNCIL OF GOVERNMENTS

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2015**

NOTE 1: BASIS OF PRESENTATION

In the accompanying schedule of expenditures of federal awards, award revenues and expenditures have been prepared on the budgetary basis of accounting.

NOTE 2: PASS-THROUGH REVENUES AND EXPENDITURES

DRCOG had federal pass-through revenues and expenditures of \$6,471,331 during the year.

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Administrative 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, 2015, 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 March 31, 2016.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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.

Plutt Rogers & Company PC

March 31, 2016

**Independent Auditor's Report on Compliance for Each Major Program and on
Internal Control Over Compliance Required by OMB Circular A-133**

Administrative 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 Circular A-133 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, 2015. Denver Regional Council of Governments' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

Report on Internal Control over Compliance

Management of the 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 OMB Circular A-133, 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Plutt Rogers & Company PC

March 31, 2016

DENVER REGIONAL COUNCIL OF GOVERNMENTS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015**

I - Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified		
Internal control over financial reporting:			
• Material weakness(es) identified?	_____	Yes	_____ <u>X</u> _____ No
• Significant deficiency(ies) identified	_____	Yes	_____ <u>X</u> _____ None Reported
• Noncompliance material to financial statements noted?	_____	Yes	_____ <u>X</u> _____ No

Federal Awards

Internal control over major programs:			
• Material weakness(es) identified?	_____	Yes	_____ <u>X</u> _____ No
• Significant deficiency(ies) identified	_____	Yes	_____ <u>X</u> _____ None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified		

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	_____	Yes	_____ <u>X</u> _____ No
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Identification of major programs:

- 14.703 - Sustainable Communities Regional Planning Grant
- 20.205 - Highway Planning and Construction
- 93.052 - National Family Caregiver Support, Title III, Part E

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	_____ <u>X</u> _____	Yes	_____	No
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II - Findings relating to the financial statement audit as required to be reported in accordance with generally accepted government auditing standards

There were no findings required to be reported under *Government Auditing Standards*.

III - Findings and questioned costs for federal awards

There were no findings required to be reported under *Government Auditing Standards*.

DENVER REGIONAL COUNCIL OF GOVERNMENTS

**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015**

Findings 2014:

There were no prior audit findings and questioned costs.